

CORP., Bus. Ref. Lib.
Madison Avenue
York 22, N. Y.

7280-2
8/3/60
TWO WEEK LOAN
DUE DATE

OCT 11 '60

OCT 17 '60

APR 25 '62

Management RECORD

July-Aug. 1960 • Vol. XXII • Nos. 7-8

- From Personnel Administration to President
- A Decade of Growth in Group Insurance
- Company Payment of Membership Expenses
- Analyzing the Manager's Span of Control



NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

CONTENTS

SPECIAL ARTICLES

Personnel Administration— on the Way to the Presidency	2
Analyzing the Span of Control	7
Who Approves Salary Increases?	11
A Decade of Growth in Group Insurance	14
Company Payment of Membership Expenses	19
Following Up Periodic Attitude Surveys	23
Employees Learn About Classical Cookery	27
Personnel Practices Relating to the Handicapped in Small Companies	28

REGULAR FEATURES

Significant Labor Statistics	33
Briefs on Personnel Practices	18, 34
Labor Press Highlights	36
Wage and Fringe Developments in Bargaining	45
Significant Pay Settlements	46
Management Bookshelf	10, 13, 26, 32, 38, 44

Management Record is prepared by

Division of Personnel Administration: S. Avery Raube, Director; Harold Stieglitz, Assistant Director; Anthony P. Alfino, Harland Fox, Stephen Habbe, Allen R. Janger, John J. McKew, Mitchell Meyer, George V. Moser, J. Roger O'Meara, Pauline Reece, Geneva Seybold, Audrey Stahl, Doris M. Thompson, George W. Torrence, Walter S. Wikstrom, N. Beatrice Worthy.

Division of Consumer Economics: Frank Gaston, Director; Zoe Campbell, David M. Furman, Leona L. Goodman, Leo B. Shohan.

Editorial Staff: Aileen L. Kyte, Sanford Rose. **Charts:** Paulette le Corre Lydon; Natividad Avilez, Madeleine Briskin, Betty Fragge, Rosanne W. Reilly, Ramon J. Rodriguez.

Management Record

July-August, 1960

© 1960 by National Industrial Conference Board, Inc.
Reproduction Rights Reserved

Vol. XXII, Nos. 7, 8

• In the Record •

From Personnel Administration to President

Many people have heard Tom Spates, professor emeritus of Yale University, say he remembers the day when he and others in the field wondered if the personnel administrator would ever be able to command a salary of as much as \$5,000 a year. Now Mr. Spates has lived to see personnel administration—in many companies—regarded as an important function, which carries commensurate authority and compensation.

The article starting on the next page reviews the working experience of ten chairmen and presidents all of whom held positions in personnel administration before moving into the top spot.

Would they, therefore, counsel a career in this field, whether or not it leads to the presidency? Two at least say no, "it's too tough," and one suggests that in his part of the country it is often a dead end. On the other hand, another top man says he considers his experience in personnel invaluable, and though there are many routes to the presidency he believes personnel administration provides as good an opportunity as any other function for the full development of talents that a chief executive needs.

• • •

A Decade of Growth in Group Insurance

Izaak Walton spoke of health as "the second blessing—a blessing that money cannot buy." That was in the seventeenth century when medicine was little more than alchemy. Today, health can sometimes be purchased, but often for a staggering price. The high cost of serious illness led to the introduction in the early Fifties of the decade's most notable advance in group insurance—major medical coverage. Originally designed to supplement basic medical insurance, major medical plans burgeoned until, at the beginning of 1960, 7.8 million employees and 12.5 million dependents were covered.

"A Decade of Growth in Group Insurance," appearing on page 14, not only reviews the expansion of the various types of medical expense protection but also examines the growth of insured disability pay and group life insurance in the last ten years.

Also in this issue, a contract settlement is reported which extends a new major medical plan to all retired employees. This Northwestern Bell Telephone contract is expected to set the pattern for the entire Bell System. See "Wage and Fringe Developments in Bargaining" on page 45 for details.

• • •

Analyzing the Span of Control

The best seller list gives some indication that we are a nation hungering after a formula—whether it is how to achieve vitality and long life via apple cider vinegar and

honey or how to make a million in real estate in one's spare moments. Little wonder then that management also looks for a "magic formula" at times to solve some organization problems.

Possibly span of control (which refers to the number of subordinates reporting to a superior) has been used in this oversimplified manner. And, possibly, organizational ills have been cured by merely broadening or narrowing an individual manager's span of control. But, suggests the article on page 7, when there are organizational troubles, span will probably be used in combination with other correctives—and then only after a thorough analysis of what is wrong.

Theoretical approaches to "correct" span are examined and the actual span of the chief executive in eighty-one companies is given in tabular form in this over-all analysis.

• • •

Company Payment of Membership Expenses

Good fellowship may be the chief reason for joining a social club, but often valuable business contacts are a welcome by-product. With this in mind, a number of companies urge and even require some employees to join social clubs, and the firm may also foot the bill for all or part of the expenses incurred.

In addition to social clubs, companies are also interested in having their employees join technical or professional societies, trade associations, and civic organizations. Based on an analysis of employee membership statements found in policy and procedure manuals, the article on page 19 discusses the degree of corporate interest in these organizations and the conditions that govern company payment of membership expenses.

• • •

Who Approves Pay Increases?

The average executive, it is estimated, works between fifty and sixty hours a week. And often when he goes home "it is no sanctuary he retreats to; it's a branch office." The problem of executive, particularly top executive, overwork, is a serious one. Thus many companies now find that the sine qua non of executive survival is delegation. In many cases the responsibility for approval of salary increases is a task that can be and has been assigned to lower organizational levels. Of course, the establishment of salary grades and salary increase budgets has facilitated this transfer.

Recently THE CONFERENCE BOARD queried about twenty companies to determine to what organizational level the responsibility for approving pay increases has been delegated. The answers are given in the article on page 11, together with an analysis of the role of salary committees and wage and salary departments.

Personnel Administration—on the Way to the Presidency

WITHIN THE LAST YEAR at least three large corporations moved into the top job—the presidency—men who had spent a large proportion of their working years in a staff capacity as personnel administrators. The number of chief executives in the country who have had such experience is growing.

This is a new development. For many years the traditional approach to the presidency was through the operating end of the business. Those with production or sales experience, or both, were generally the ones selected. Then, as the importance of expert financial and legal advice and assistance was recognized, and these functions were represented on executive committees by staff vice-presidents, one of these vice-presidents occasionally was considered the individual best qualified when a new president was to be elected.

Personnel administration was established as a separate, staff function comparatively recently. As heads of personnel have assumed their full responsibilities as members of the top management team, with the title of vice-president, reporting to the chief executive officer and serving the whole of the organization, they, too, have naturally become candidates for consideration as chief coordinator.

Ideally, perhaps, the one who is selected for president would have had experience in all phases of the business. But with management relationships becoming more complicated daily—involving important contacts with the government, for instance, with the public, and with employees—more specialized skills have been required. It has become practically impossible to expect any one man to have had comprehensive knowledge and experience in all of the fields embraced. A working lifetime is too short to permit it, even if an individual is willing and exceptionally able.

Company directors have not expected the lawyer who has been chosen president to be expert in manufacturing techniques and sales, or the top-flight finance man also to be a capable engineer. What is expected is that he be a good administrator—that he set desirable goals, possible of achievement, and lead and direct his organization in such a way that these goals will be attained.

The personnel “administrator,” as has become evident in a number of companies, is in as good a position as any to demonstrate his abilities as a manager. Perhaps he even has a little edge on others, since most

results in business must be achieved through the efforts of people; and the effective leadership of human beings is the personnel man’s primary and continuing concern.

This gives him another possible advantage over some of the other vice-presidents in preparation for general management. “People problems” are likely to arise anywhere in the organization. Therefore the executive who is qualified to give assistance and advice in personnel administration must necessarily inform himself and get into all aspects of administration. Of course, any staff man at the top level, reporting directly to the president, performs functions that cut across all areas of the business, and thus is in an excellent position to obtain an over-all look at company operations. But problems that arise in connection with some of the other functions may be confined to only a few areas.

John C. Whitaker
R. J. Reynolds Tobacco Company

John C. Whitaker, honorary chairman of the board of the R. J. Reynolds Tobacco Company, who for nearly thirty years headed the function of personnel in his company and then for many years served as president and chairman of the board, says:

“Even considering the high degree of specialization required of today’s managers, I believe most chief executives would agree with me that no one can possibly obtain broad comprehensive experience in all major functions of a large company. He must delegate and rely on others to advise and recommend. The chief executive must be highly skilled in the techniques for the development of people.

“These qualities can certainly be developed by a manager in several different functions, depending on the particular company. I cannot say that the personnel executive is in a better position than a sales, manufacturing, financial, or any other executive to acquire these skills. I am confident, however, that his position provides as good an opportunity as any other for full development of his talents and that he can most definitely fill a top managerial position as effectively as other capable executives with backgrounds in other functions of the business.”

Mr. Whitaker, himself, combined the function of personnel with manufacturing. At the time of his elevation to the presidency at Reynolds, he was vice-president of manufacturing as well as vice-president of personnel. He considers his experience with the

personnel function invaluable. "Being a manufacturing man and at the same time a personnel man," he says in retrospect, "was the greatest thing that could happen for me."

His entire working career has been with the R. J. Reynolds Tobacco Company. His first full-time job after graduation from the University of North Carolina was with the company as an hourly production worker, tending one of the first five cigarette manufacturing machines that the company installed. He had worked up to foreman and then superintendent in the cigarette manufacturing division of the company when he enlisted in the Navy for service in World War I. When he returned to Reynolds two years later, he went into personnel work.

"I started in manufacturing," Mr. Whitaker explains, "but as I went along, I realized the necessity of tying in personnel work—getting closer to people, listening to their problems, and trying to find solutions. I learned that one of the greatest pieces of work before us was to create circumstances which would cause people to want to produce to the maximum of their capacity, not because they had to, but because they wanted to. In other words, I had the feeling that I must accept the responsibility for the effectiveness of the work force, for employees' attitudes, for their willingness to produce and for teamwork and loyalty."

"The job, as I saw it, called for watching closely all human relationships and earning the respect of employees."

Mr. Whitaker was instrumental in the establishment of both a personnel and a medical department at Reynolds, and he was made manager of the former. The personnel department continued under his direct guidance for twenty-nine years, while he was successively assistant superintendent of manufacturing, superintendent of manufacturing, and vice-president of manufacturing and personnel.

"When I took on the dual role of assistant manufacturing manager and personnel manager," explains Mr. Whitaker, "the tie-up was exactly what I needed. The necessity of proving to the board of directors that the matter of good human relations was of paramount importance in our company was under way. Pretty soon we were getting the thought across that the real success of the company depended much more on the individuals in it than upon the buildings and equipment the company possessed."

"In 1920, we began to have meetings with superintendents, with foremen and with top hourly workers, to get across the message that there is honor in business that reckons with every man justly—that regards kindness and fairness and respect for persons more highly than anything we know of."

"Results began to show the effectiveness of good human relations. Our labor turnover began to drop; the efficiency of men and machines was on the in-

crease. Gradually we adopted a retirement plan, a group insurance plan, a hospital plan. . . .

"In our company the personnel department has been represented on the board of directors for the last twenty-four years, and for twenty-two years has been represented on the company's executive committee. During this period, personnel or employee relations factors were made a significant part of major policy considerations wherever relevant. The president of our company has traditionally served as chairman of the personnel committee of the board of directors. The personnel department and the personnel executive have held positions of primary status for many years. Most of my lifetime of work has been dedicated to this principle. I have always had great faith in its value and am confident our experience has proved its worth."

Louis B. Neumiller
Caterpillar Tractor Co.

Like Mr. Whitaker, Louis B. Neumiller, chairman of the board of Caterpillar Tractor Co., has spent the whole of his career in the company which he now heads. And like Mr. Whitaker, he helped to organize and then directed the first industrial relations department serving his company.

Mr. Neumiller began as a clerk-stenographer at The Holt Manufacturing Company, Caterpillar's predecessor in Peoria, Illinois. His later work was in the engineering department where he had extensive relations with the manufacturing department. His next position was parts manager. When Holt and the C. L. Best Tractor Co. of San Leandro, California, merged to form Caterpillar Tractor Co. in 1925, Mr. Neumiller became parts manager of the new organization. He next served as service manager and then was divisional sales manager.

In mid-1937, Caterpillar's top management saw a need for pulling together, under full departmental status, the many industrial relations functions then existing within the company. In the succession of early moves, Mr. Neumiller had become known for his organizational ability and interest in human relations. He was chosen to set up a department embracing all aspects of personnel and labor relations.

For a few months Mr. Neumiller's title was director of industrial relations, but before the end of 1937 he was made a vice-president. Because of his experience and interests, he was given administrative responsibility not only for industrial relations, but also for parts, service, and traffic.

As vice-president, Mr. Neumiller gave administrative guidance to industrial relations until 1941, when he became a board member and president of the company. In 1954, he was elected chairman of the board.

Caterpillar's chairman feels that responsibilities in the area of personnel administration are "very close to

the heart of the business." His relationships with supervision and experience with employee problems, he says, were of great value to him in carrying out his responsibilities as president. "No business can achieve its true destiny," in his opinion, "unless its management is properly employee-centered."

Mr. Neumiller is quick to point to the need for flexibility on the part of the individual preparing for future growth within the organization. In this age of specialists, he emphasizes the importance of knowledge and experience in as many phases of company operations as possible. This can best be accomplished, Mr. Neumiller believes, by individual initiative, inquisitiveness, and hard work. As an example, he thinks an engineer will be much more valuable to a company when he understands manufacturing methods, costs, customer needs, and the many facets of the business which are the specific functions of other departments.

The route taken to the chief executive's chair isn't of primary importance, according to Chairman Neumiller. He stresses above all else the need to excel in the job at hand, while maintaining an unquenchable curiosity about the whole business.

Charles R. Hook, Jr.
Kudner Agency, Inc.

Of eight men who are currently filling the office of president in their companies, and who at one time headed personnel departments, all have had experience in addition to personnel. While some have spent the larger part of their careers in personnel, others have had only a few years. But without exception, all attach high value to what they learned while working on employee relations problems.

Charles R. Hook, Jr., who late last year became president of one of the major advertising organizations in the country, Kudner Agency, Inc., had been both a line and staff man but spent a major share of his business life in personnel administration.

A Yale graduate, he began work, like Mr. Whitaker, as a production worker, but shortly moved from the production line of Baltimore's Rustless Iron & Steel Company into their personnel administration—literally, as he says, "by accident."

"I was a laborer on the night shift," he explains, "and saw people getting hurt needlessly. I did some reading up on the subject, convinced the management it could save dollars by setting up a safety department. So I became a safety engineer. Then, when hiring at the gate seemed uneconomical, I got them to let me set up a small personnel-hiring unit. That led to personnel training, etc.—the familiar pattern. And I was a personnel man."

He advanced in the company until he was secretary and assistant to the general manager. After ten years at Rustless, he moved to the Chesapeake & Ohio Railway Company, where for approximately six years he

was vice-president, personnel. Here his ability became apparent to many people outside his own company, and in 1953 President Eisenhower tapped him for his subcabinet, as deputy postmaster general.

From his experience in manufacturing and with the C. & O., Mr. Hook was startled to learn how little real attention government departments, in spite of their thousands of employees, gave to the personnel aspect of management.

"When I found myself second in command of half a million people in a business-type government operation," he says, "I was shocked to find a title of personnel manager and chief clerk—mostly clerk—with responsibility for the Washington office only. This was later corrected through new legislation, and we were fortunate to get Eugene Lyons¹ (then vice-president for personnel at Merck & Company) to become assistant postmaster general for personnel. He has done a fantastic job and saved untold millions."

Impressed by his efforts to assist the postmaster general in instituting long-needed reforms in the organization of the department, a member of the businessmen's advisory board to the Post Office Department, J. H. S. Ellis, then president of Kudner Agency, Inc., persuaded Mr. Hook to join the agency as executive vice-president and a member of the executive committee. The duties and title of treasurer were added shortly thereafter. And last December Mr. Hook became president of the agency.

Commenting on qualifications for a successful personnel man, Mr. Hook has this to say:

"A personnel man must first and foremost be and act like a businessman. Too often personnel managers seem to fail to get at the guts of management problems—whatever they happen to be. On the other hand, management too often considers personnel managers nuisances whose efforts are not sufficiently well directed toward profit goals—immediate as well as long term. Of course, direct labor negotiations are the exception. For here the problem is usually clear enough for the most shortsighted manager to see, and the skill and knowledge needed are considerable.

"Among other things, language or semantics is a barrier. Personnel managers do not usually talk in terms of earnings per share but of motivation, communication, span of control, and other such important but esoteric problems. The good personnel man must force management to *think* and to *act*—often a most difficult and unpleasant process—particularly if it concerns areas in which the manager is uninformed, uninterested, or hostile. So, all too often, he tends to breathe a sigh of relief when the personnel manager leaves his office."

Mr. Hook considers his own years in personnel administration enormously instructive. In many ways, he says, it was the most valuable experience he could have had, but now that he is out of it, as a staff

¹ Late last year President Eisenhower appointed Mr. Lyons as his special assistant for personnel management, a post Mr. Lyons now holds.

Their Experience in Personnel

Name ¹	Title Today	Industry or Business	First Job	Jobs Held in Personnel Administration
John C. Whitaker	Honory Chairman of the Board, R. J. Reynolds Tobacco Company	Tobacco	Cigarette machine tender	Manager, Personnel Department, R. J. Reynolds Tobacco Co. Assistant Superintendent of Manufacturing and Personnel, R. J. Reynolds Tobacco Co. Superintendent of Manufacturing and Personnel, R. J. Reynolds Tobacco Co.
Louis B. Neumiller	Chairman of the Board, Caterpillar Tractor Co.	Machinery manufacturing	Clerk-stenographer	Director of Industrial Relations, Caterpillar Tractor Co. Vice President of Industrial Relations (combined with Parts, Service and Traffic), Caterpillar Tractor Co.
Charles R. Hook, Jr.	President, Kudner Agency, Inc.	Advertising	Production worker in a steel mill	Safety engineer, Rustless Iron & Steel Co. Personnel Director, Rustless Iron & Steel Co. Vice President, Personnel, Chesapeake and Ohio Railway Company
J. Ward Keener	President, The B. F. Goodrich Company	Rubber manufacturing	Teacher	Vice President, Employee Relations, The B. F. Goodrich Company
L. C. Lustenberger	President, W. T. Grant Company	Retail merchandising	Automobile salesman	General Personnel Manager, Montgomery Ward & Company Director of Personnel (while Vice President and Assistant to President), W. T. Grant Company
C. V. Martin	President, Carson Pirie Scott & Company	Retail merchandising	On administrative staff of a university	Personnel Director (while General Superintendent), Wm. H. Block Company Personnel Director (while General Superintendent), Carson Pirie Scott & Company
Guy W. Wadsworth, Jr.	President, Southern Counties Gas Company of California	Natural gas distribution	Assistant financial advisor to Republic of Haiti	Personnel Manager, Southern Counties Gas Company of California Personnel Manager, Los Angeles Gas & Electric Company Personnel Manager, Southern California Gas Company (successor to Los Angeles Gas & Electric Company) Vice President in charge of Employee Relations, Southern California Gas Company, and for Southern Counties Gas Company Deputy Director, Civilian Personnel Division, General Staff Corps, Army Service Forces
Theodore S. Petersen	President, Standard Oil Company of California	Petroleum	Oil station salesman	Assistant to the President and Manager, Employee Relations and Personnel Department, Standard Oil Company of California
Clifton W. Phalen	President, New York Telephone Company	Telephone	Telephone lineman	Assistant Vice President, Personnel, New York Telephone Company Vice President, Personnel, New York Telephone Company Vice President, Personnel Relations, American Telephone & Telegraph Company
Ellsworth S. Grant	President, The Connecticut Manifold Forms Company	Printing	Newspaper editor	Personnel Manager, The Allen Manufacturing Company Vice President and Industrial Relations Director, The Allen Manufacturing Company Vice President of Manufacturing (in charge of Production, Purchasing, Maintenance and Industrial Relations), The Allen Manufacturing Company

¹ Executives are listed in the order in which they are referred to in the accompanying article.

function, he wouldn't return to it under any circumstances.

"If the stockholders fired me tomorrow," he says emphatically, "I would not go back into personnel administration at any level. It's too frustrating, and the rewards very seldom match the enormous expenditure of oneself that is required. If any individual has his heart set on personnel administration, I would strongly suggest he become a C.P.A. first."

**J. Ward Keener
The B. F. Goodrich Company**

Another of the presidents whose career throughout points to organizational ability is J. Ward Keener, president of The B. F. Goodrich Company. In his years with this company, he has been continuously involved in studying the effective alignment of duties. This study has led to the creation of new positions, and Mr. Keener has held several of them. Until he became president in 1957, he had never held a position with B. F. Goodrich that had been held by anyone before him.

He started in the direction of personnel administration a little earlier than some of the other chief executives, although he had no thought at the time of specializing in this field. During graduate studies at the University of Chicago and at Ohio State University, for instance, he took courses in personnel administration. He taught business administration as a member of the faculty of Ohio Wesleyan University while working toward a master's degree in that subject at the University of Chicago.

His first job in industry, with the company which he now heads, was that of special analyst. For approximately three years, he did sales research. He initiated the company's business research department and became the company's first director of business research.

Prior to 1946, personnel administration at B. F. Goodrich had been divided into two categories. The factory personnel function reported to the vice-president for manufacturing, while personnel administration relating to salaried people was under the financial vice-president. An outside counseling firm was retained to study the company's problems in the employee and union relations fields; and Mr. Keener, who by this time had become assistant to the president, was asked to work with the consultants in the development of their study and their report. One of their recommendations was to set up a single, centralized personnel department for the whole organization. This recommendation was followed by the company, and Mr. Keener was selected to head the new function.

For the next ten years, the company's centralized personnel administration was under his direction. During this time, his responsibilities expanded. In addition to personnel, he was initially given responsibility for advertising, then for public relations, followed by

manufacturing services and business research. Early in 1952, he was made responsible for the financial functions of the business, with the treasurer and controller reporting to him.

At this stage he was, in effect, the staff vice-president for the corporation. In the earlier years, his title was vice-president, employee relations; but when he assumed supervision of the additional functions, "employee relations" was dropped, and he became vice-president, with no functional designation.

In 1956, he left staff operations and assumed operating responsibilities for six of the company's divisions. From executive vice-president he advanced to become president and chief executive officer.

Mr. Keener's experience as a line executive, it will be observed, came late, after years of work as a staff man. Would he, in retrospect, have preferred more time in line responsibilities? He thinks it doesn't matter.

"I liked personnel administration very much," he says, "and still do. I can also say that I have never had a responsibility that I did not like, and I assume that if chance had brought me up through sales or manufacturing, I would have felt just as comfortable about that route as the route I happened to follow. I believe that the opportunity for young men of ability and with the proper range of education and interest is just as good in the personnel field as it is in any other major functional line of endeavor."

**L. C. Lustenberger
W. T. Grant Company**

L. C. Lustenberger, president of the W. T. Grant Company, has spent more than a third of his working career in personnel administration as a staff man. He, however, is very emphatic about the importance of direct line responsibility. Not that he discounts the value of his experience in personnel. "I believe it has been of great value," he says, "in carrying out my over-all management responsibilities.

"I would not advise a young man today," he continues, "to specialize in personnel administration to the extent that he makes it his entire career. This is in no sense meant to be derogatory to the status or importance of personnel men or personnel departments; nor does it mean that capable men cannot rise to the top in the personnel field without having had line experience.

"My point, rather, is that the best personnel men for the corporations of today are those selected from the ranks of the line executives. I believe that their administrative and personnel relations experience can be gained in no other way and that such experience is extremely important in the development of the best personnel directors.

"It is also important to consider the value placed

(Continued on page 39)

Analyzing the Span of Control

How many subordinates should report to a single manager? It all depends, suggests this article, on a complex of factors that must be evaluated in each situation

MANAGEMENT ANALYSTS have often hit on "span of control" as the key to what is wrong with an ailing organization. By span of control, they merely mean the number of subordinates who report to an individual. Analysts may diagnose the trouble as too many subordinates reporting to a supervisor or manager (the span of control is too broad) or too few subordinates (the span is too narrow).

For instance, a manager may be labelled as ineffective because he gives inadequate supervision to his subordinates. He could be described as suffering from "too broad a span of control." Then there is the case of the subordinate who constantly feels the hot breath of his superior on his neck while he pursues his assignments. He's suffering because his boss has too narrow a span of control.

But why, one might ask, is a change in span of control so often seen as the answer to organizational ills?

In most companies, it is one of the few easily pinpointed elements of the organization structure. And possibly because it can be quantified it lends itself to manipulation. Thus, widening or narrowing the span is often seized upon as a quick solution to organization problems.

Span of Control Principle?

Those who choose this course of action find support in the "span of control principle" of organization. There is, however, no single, universally recognized span of control principle. Rather there are many statements of principle that have to do with the span of control. All owe their existence to the same underlying concept: there is a limit to the amount of work a man can do, whether this work is carrying loads or supervising men. Span of control has to do with the supervising of men.

The most general statements of the span of control principle amount to no more than a restatement of this human limitation: "There is a limit to the number of men a manager can supervise."

Some companies prefer to amplify this type of statement by mentioning factors that affect span of control.

A southern textile corporation says: "The employees reporting to one executive should not exceed the number which can be effectively directed and coordinated.

The number will depend largely on the scope and complexity of the responsibilities of the coordinates."

A midwestern utility company states: "Span at all levels is limited only by the normal supervisor's capacity to supervise and the subordinates normal ability to perform with minimum direction. At higher levels, span is normally somewhat narrower because the activities supervised are more complex or diverse."

On the other hand, rather than emphasizing the limitations implied by span of control, a western utility's statement of principle declares: "A manager's span of control should be as wide as possible."

Other statements of the span of control principles are specific in the sense of actually stating an optimum or limiting number of subordinates. Some companies, for example, have adopted the span of control principle enunciated by Lyndall F. Urwick: "No superior can supervise directly the work of more than five or, at the most, six subordinates whose work interlocks."¹ But even the latter statement—by use of the stipulation "interlocks"—actually allows a great deal of flexibility in choosing a span.

The Mathematical Approach

Those who have attempted to set a specific numerical limit on span of control find a mathematical rationalization for their view in the work of V. A. Graicunas.² Applying a variation of the mathematical theory of permutations, Mr. Graicunas counted all possible supervisory relationships into which a manager could enter, plus all those that could exist among his subordinates. He concluded that for a manager with three subordinates, a minimum of three and a maximum of eighteen possible relationships exist. For four subordinates, possible relationships range from four to forty-four. For five subordinates the limits are five and 100. For six, they are six and 222, and for seven, seven and 490. (See chart on page 9.)

The factor which determines how close the maxi-

¹ See "Scientific Principle and Organization," by Lyndall F. Urwick, Institute of Management Series No. 19, 1938, American Management Association, New York, page 8. Lt. Col. Urwick credits Major General Sir Ian Hamilton and H. P. Kendall with contributing their experience and judgment to the formulation of his statement of principle.

² See this author's "Relationship in Organization," reprinted in "Papers on the Science of Administration," edited by L. Gulick and L. Urwick, Columbia University, New York, 1937, pp. 180-187.

mum figure is approached in any managerial situation is the degree to which the work done by each subordinate comes into contact with the work done by the others.

However, by varying the amount of interaction, Mr. Graicunas' figures also can be used to justify a much wider span of control. Thus, while they dramatically demonstrate in the abstract the number of possible interactions among subordinates and supervisor, they cannot be used to accurately determine a "proper" span of control.

In Actual Experience

Some attempts have been made to substitute actual experience for mathematics in fixing a proper span. But surveys of spans at various levels in organizations show a wide range of possibilities. A Conference Board study of the span of control of the chief executive in eighty-one manufacturing companies shows anywhere from one to twenty-four subordinates reporting to the chief executive, with a concentration around five to six, but half with more or less. The eighty-one companies were also broken down into two organizational types—those organized into regional or product divisions and those organized on a functional basis. The results show that the chief executive's span of control in functionally organized firms is smaller than his span of control in divisionalized companies. But the differences are too small to warrant any binding conclusions.¹

Dropping to the lowest level of the management hierarchy, another Conference Board analysis showed spans of control for first-line supervisors ranging from four to thirty-five, with an average of about twenty.

Thus, neither practice nor principle supply a definitive answer to a numerically proper span of control.

No Rigid Rule

The span of control principle, therefore, is no rigid rule. Rather it is a "proceed with caution" signal to be used when grouping functions and providing for their coordination. In fact, Lieutenant Colonel Urwick comments that his own statement of principle "is not a rigid rule to be applied woodenly in all situations. But it is a very useful general principle and a valuable diagnostic instrument in cases where organizational weakness exists."² If grouping actually results in a span of six, eight, ten, or twelve subordinates, only experience can indicate whether this is a proper span. If it works out, then everything is satisfactory. If it doesn't, then the planner usually looks at the co-

¹For similar studies of executive and supervisory spans see: "Planning and Developing the Company Organization Structure" by Ernest Dale, American Management Association, New York, 1952, p. 57 and "Ratios of Staff to Line Employees and Stages of Differentiation of Staff Functions" by Alton W. Baker and Ralph C. Davis, Research Monograph No. 72, Bureau of Business Research, Ohio State University, 1954, Table 15, p. 32.

²Lyndall F. Urwick, "The Manager's Span of Control," *Harvard Business Review*, May-June, 1956, p. 41.

ordinator, the means of coordination, and the groupings of activities in order to come up with a new and more satisfactory mix.

Factors Affecting Span

Pinning down proper span of control is difficult because it is affected by a great many interrelated factors.

These factors—useful for an understanding of the span of control principle—fall into four general groups.

- Competence of the manager and his subordinates
- Nature of functions reporting to the manager
- Type of supervision desired by company and manager
- Geographic and technological factors

The work required of any manager is not necessarily all supervision or even managerial in character. Hence the more time he has to spend on nonmanagerial work, the less time is available for supervision of subordinates. Obviously, this is one of the factors influencing proper span.

In his purely managerial functions the degree of competence he shows in planning, organizing, and controlling the work of his subordinates will also affect his span. Similarly the more competent his subordinates, the less supervision they may need. This then is another influencing factor.

Another group of factors has to do with the nature of the functions which the supervisor must coordinate.

In a company whose functions are changing very rapidly—because it is young or growing fast or adapting to new products, markets or technology—the manager's subordinates will be getting many new problems. And having no precedents to guide them,

**Span of Control of the Chief Executive
in Eighty-one Companies**

Span	Total Companies	No. of Companies	
		Divisionally Organized	Functionally Organized
1	5	2	3
2	5	3	2
3	5	3	2
4	7	3	4
5	11	5	6
6	5	2	3*
7	5*	3	2
8	8	5*	3
9	5	2	3
10	4	1	3
11	8	4	4
12	3	3	..
13	2	1	1
14	2	2	..
15	2	2	..
16	1	1	..
17	2	2	..
24	1	1	..
Totals	81	45	36

* Median

they may have to pass the problems up to their supervisors for decision.

In a relatively stable organization, standardized procedures and practices may be set up to cover all but the most extraordinary problems. Thus, most problems do not need to be passed on to the manager, but can be solved at the point in the organization close to where they occur. Thus a slow rate of change and

standardization tend to widen the manager's proper span of control.

The similarity and complexity of the functions being coordinated are also important factors. As indicated in preceding statements of the span of control principle, it is easier for the manager to coordinate two similar functions than two dissimilar ones. Two missile plants are easier to manage than one missile plant and a sales staff. Fewer new problems arise. More standardization is possible.

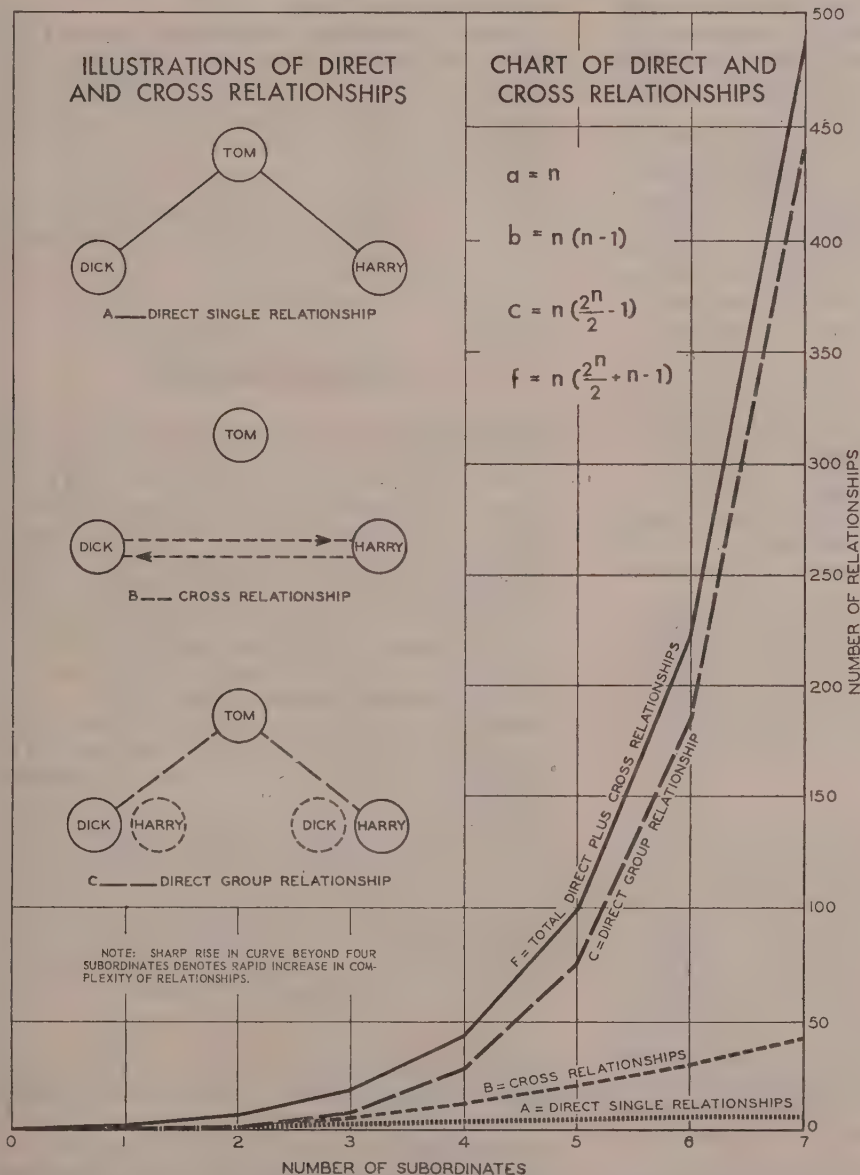
It is also easier to coordinate simple than complex functions. The problems are easier to unravel and take less time. Thus, all other factors remaining unchanged, the more similar and less complex the functions, the wider tends to be the proper span of control.

Insofar as decisions taken by one subordinate affect the situation and decisions of other subordinates, this too will affect span of control. The greater the degree of interaction among subordinates, the more coordination will be necessary and the narrower the supervisor's proper span of control.

The Type of Supervision

Quite apart from the functions and personalities involved, the type of supervision—close or general—desired by the manager and the company will have its effect on the manager's span of control. If the manager practices close supervision, if he is constantly checking the work of subordinates, and if he insists upon prior approval of all decisions—big and small—made by the subordinates, then he is decreasing the number of people he can supervise. He broadens his span by granting them more authority to take action

Relationship and the Span of Control—Graicunas' Theory



Source: "Relationship in Organization" by V. A. Graicunas, reprinted in "Papers on the Science of Administration," edited by L. Gulick and L. Urwick, Columbia University, New York, 1937, p. 187.

without checking back with him on all the details.

On a company-wide basis, this is analogous to centralized versus decentralized operations. Delegation of authority close to the scene of action is viewed as a major means of eliminating excessive organization levels. And a natural consequence is a widened span of control for the supervisor.

Related to this are over-all statements of a company's philosophy or policy. These provide a basic framework within which all managers and subordinates in decentralized operations are free to make decisions. So, to the extent that the company has stated and clearly communicated over-all corporate policies, it makes possible a broader span of control by cutting down on the uncharted areas.

Two further factors arise out of the geographic dispersion of the company and the communication technology available to tie the pieces together again.

The usual effect of geographically dispersing the elements of a company is to narrow the span of control of the man or men responsible for coordinating activities of the dispersed elements. This assumes, of course, that the same degree of supervision exists as before.

Often, however, this is not the case. The company may decide that the earlier degree of supervision is not worth the cost in added staff and communications. Or, it is decided that the local manager is better able to make a large number of decisions than his chief at corporation headquarters. In these cases, geographical dispersion is accompanied by delegation of responsibility. And the result is a wider rather than narrower span of control.

In both cases, the available means of communication has its effect. The manager who can maintain constant telephone contact with subordinates, be they in Kansas, California, or Africa, can supervise more subordinates than the manager who must depend on letter or telegram.

Product of Many Factors

Thus, many different factors affect proper span of control. An understanding of how they operate can help—during the grouping process—to arrive at a given manager's optimum span of control.

But these factors also demonstrate the pitfalls in manipulating the span of control to arrive at "quickie" cures of organizational ills. The proper span of control is a product of so many different factors that one cannot look at wide variations from a preconceived norm—whether three to six for executive or fifteen to thirty for first-line supervisory personnel—and conclude that this is *prima facie* evidence that something is wrong.

One might question, for example, if the "one-over-one" relationship (one subordinate reporting to one manager) necessarily infers that the manager has too

little to do. He may have important duties other than supervising.

Similarly the manager with ten subordinates may not be bent to the ground under his chores—because he has successfully delegated many of his responsibilities.

Coming at the problem from the other side, one can by no means conclude that because a manager is a bottleneck, his span of control is too wide. If he has never learned to delegate authority, a mere narrowing of span is not likely to help.

Hence mere manipulation of the span of control may cure the ills for which it has been prescribed. But, judging from company experience, it will probably be used in combination with other correctives, and then only after a thorough analysis of the company's organizational ills.

ALLEN JANGER

Division of Personnel Administration

Management Bookshelf

Modern Organization Theory—Some sociological approaches to the problem of organization are outlined in this collection of papers first presented at a symposium held by the Foundation for Research on Human Behavior in February, 1959. In his introduction the editor comments on the youth, diversity, and apparent contradictions in modern organization theory, as represented by the papers in this volume. While speaking of information-linkages, for example, Robert Dubin argues that keeping them to a minimum promotes organization stability. In another article, however, Rensis Likert points out that promoting information-linkages to a maximum raises morale. The editor answers the contradiction by stating that communication in organization cannot be considered alone but only "inextricably bound up in all the other organizational processes."

Other contributors are Chris Argyris, E. Wight Bakke, R. M. Cyert, J. G. March, Jacob Marschak, Anatol Rapoport, and W. F. Whyte. They discuss issues concerned with the conflict between personality and organization, the structure of organization, decision theory, the organization in its economic, cultural and social environment, and the forces that tend to destroy organization. *Edited by Mason Haire, John Wiley & Sons, Inc., New York, New York, 1959, 324 pp., \$7.75.*

The Expert and the Administrator—From the vantage point of governmental administration, the author reflects on the relationship between the expert with a functional specialty and the administrator with coordinating and decision-making skills. Discussed are: the rise of the expert, his role, his relationship with the administrator, and their two-way communication problems. *By Jaleel Ahmad, University of Pittsburgh Press, Pittsburgh, Pennsylvania, 1959, 45 pp., \$1.*

Who Approves Salary Increases?

Pace-setting firms in wage and salary administration tend to delegate responsibility for the approval of salary increases as far down the line as possible

WHEN A BUSINESS expands, decentralizes, or diversifies, it is bound to encounter a great many problems, not the least of which is maintaining its salary program on a sound and workable basis.

An example is what happened in Company X—a firm which was relatively small two years ago, with practically all of its manufacturing operations under one roof. With a rapidly expanding market, this company now has two other operations in different parts of the country. And both of these recent acquisitions are completely different in nature and in entirely different industries. In addition, Company X is today contemplating the purchase of two more facilities.

During this period of expansion and diversification, what has happened to this company's salary program?

It hasn't kept pace.

For many years the president kept in close touch with the entire management group, which numbered less than one hundred; and he personally reviewed all salary changes above \$7,500. This was one way he could follow the progress of management people; and because of his knowledge of the entire operation, he could maintain salaries on a reasonably sound basis.

Now it is different. In retaining the criterion of \$7,500, the president is finding himself burdened and perplexed. He is being asked to approve salary increases for people he doesn't even know. Furthermore, in many instances he doesn't have the slightest idea what they are doing, much less how well they are doing it. As a consequence, salary recommendations are gradually accumulating in his bottom drawer, with the department heads hinting from time to time that it would be advantageous to them if their recommendations could be acted upon.

Reason for Review

Situations such as this have prompted THE CONFERENCE BOARD to inquire into the handling of salary-increase recommendations. Specifically the Board was interested in learning who in a company is authorized to give final approval to salary increases at various levels in the organization. To get this information, the Board has gone to about twenty firms that are generally considered pace setters in wage and

salary administration. Most of them have for years been faced with the problems involved in expansion and diversification.

General Objectives

In general, it would appear that the salary administration programs for exempt employees reviewed here have been designed to accomplish the following objectives:

- To delegate the responsibility for the approval of salary increases as far down the line as possible.
- To allow as much flexibility and freedom of action as can be permitted within the framework of broad company policy.
- To make certain that those given the responsibility of approving salary increases are in a position to know personally the duties and performance of the individuals involved.
- To prevent favoritism or prejudice from influencing salary actions.
- To give those responsible for salary matters sufficient staff assistance to enable them to initiate salary actions in keeping with sound salary practices.
- To achieve proper balance between salaries paid within the company as well as between salaries paid in the company and the going market prices.

Delegating Responsibility

In order to successfully delegate the responsibility for approving salary increases, the companies rely primarily upon one or both of the following procedures:

1. The establishment of salary ranges, with minimums and maximums, for all salaried positions, often up to or even through the officer level;
2. The setting of salary increase budgets, within the limits of which the department or division may take action with considerable independence.

Of the salary programs studied, practically all had formalized salary ranges for their lower-level positions, but often extending as high as the \$12,000 a year job. And a few went even higher. At the same time,

about half of the companies provide for the annual budgeting of salary increases.

All of the firms included in this review have staff personnel whose major responsibility is to assist in the over-all administration of the wage and salary program. Heads of these staff activities have considerable stature within their respective companies, indicating the importance attached to the wage and salary function.

About half of the companies also have formal committees which in one way or another have responsibility in the area of determining policy, setting up salary ranges or approving salary increases. Many of these firms also use various statistical guides to enable top management to see how the salary program is working. For example, these guides may show the number and amount of salary increases, average salaries as related to established midpoints, and the extent to which budget limitations have been approached.

The Use of Committees

About half of the companies included in the review have one or more salary committees. Some of these committees function primarily as evaluation groups whose responsibility is to review positions and establish salary ranges. Other committees have nothing to do with individual salaries or the establishment of salary ranges; rather they are responsible solely for the establishment of policy and the formulation of procedures. Another group of committees approves or reviews practically all salary changes up to a given level; beyond this level the changes are subject to the approval of the president or the board of directors.

Examples of the actual composition of five such committees are:

Salary Committee

- Vice-president of personnel—chairman
- Director of wage and salary administration—vice-chairman
- Five assistants to vice-presidents

Salary Committee

- Director of salary administration—chairman
- Director of industrial relations
- Director of research
- Director of sales
- Vice-president and treasurer
- Three general managers of production divisions

Salary Committee

- Chairman of the board—chairman
- Four vice-presidents

Employee Relations Council

- President
- Executive vice-president
- Three vice-presidents

Committee on Salaries and Wages

- Chairman of the board

President

Two executive vice-presidents

General manager—employee and public relations

Salary and Bonus Committee

Composed of directors who are not employees

These committees generally meet periodically, but because of the position levels of the members it is not uncommon for meetings to be specifically arranged so that most or all of the committee members are able to attend.

How Staff Personnel Is Used

Inasmuch as the companies selected are fairly large, with well-developed salary programs, it is, of course, no surprise that each has staff personnel specifically assigned to the function of wage and salary administration. The names of their departments or sections, as well as the titles of the individuals responsible, nevertheless vary considerably. The most common designation is "wage and salary administration," but other designations range from "consultant to salary administration" to "personnel development."

The range of activities and responsibilities likewise varies, although their objectives appear to be similar. Whereas one staff group will be purely consultative in function, assisting the line organization only when called upon, other groups will be responsible for the evaluation of positions, the establishment of salary ranges, and the approval of many of the salary changes within those ranges.

The staff function of salary administration is generally found included in the over-all personnel or industrial relations function of the company, despite differences in nomenclature.

Who Approves the Increases

Whether a salary change is approved by a committee or by an individual, it would appear that the general practice is to have salary increases subject to approval by individuals at least two management levels higher than the person involved. This is accomplished in a variety of ways.

One highly decentralized company uses a "1 over 1" basis for approval. Under this setup an operating head can approve salary adjustments for all personnel under his jurisdiction, except those reporting directly to him. Salaries of those reporting directly to him are subject to the approval of the executive one level higher in the organization. In the case of those who report directly to the chief executive, salary adjustments must be given final approval by a committee of the board of directors.

In another company, salaries up to \$1,000 a month can be approved by the division head and the wage and salary administrator. Between \$1,000 and \$1,500 a month, the vice-president's approval is also re-

quired. Above \$1,500 a month, depending upon the line of authority, the president or executive vice-president must also approve the increase.

Another large and highly decentralized company handles salary increases on this basis: up to \$13,000, an assistant vice-president can approve; between \$13,000 and \$25,000 the approval of a vice-president is required; between \$25,000 and \$35,000, approval must be given by the president; and above \$35,000, the board of directors must approve the salary increase.

In still another company, increases in salaries below \$12,000 can be approved by the general manager or vice-president; also this authority may be delegated further down the line except for merit increases over 10%, promotion increases over 20%, or increases above the approved salary range. From \$12,000 to \$15,000, salary increases can be approved by an officer of the company who is also a member of the executive committee. From \$15,000 to \$50,000 the salary increase can be approved by the executive committee or the finance committee, whichever has jurisdiction. Over \$50,000, the salary increase must be approved by a committee of the board of directors composed of nonemployees.

Another company divides its salary structure into four segments. Salaries in the lowest portion require the approval of the immediate supervisor only. In the next higher segment two approvals are needed. At

the third level, three approvals are required. And in the highest grouping the president's approval is required unless the salary is less than \$12,000, in which case the assistant to the president may act. Salaries for executive positions are approved by the president personally.

Approval of salary increases in one firm is delegated to various levels of management, on the basis of the dollar amounts involved in the raises. This plan is set up so that approval is generally required at two levels above the individual involved. If the recommended increase, however, deviates in any way from established policy, approval at one additional level is required. (One company, incidentally, states that any deviation from policy, however minor, must be approved all the way through the president's office.)

Another firm provides that salaries up to \$12,000 which do not exceed the budget may be approved by a divisional vice-president or general manager. Between \$12,000 and \$18,000, the salary must be approved by the vice-president of finance; and between \$18,000 and \$24,000, the approval must come from the president. The chairman of the board may approve salaries up to \$36,000, but above that, the approval of a committee of the board of directors is required.

GEORGE W. TORRENCE

Division of Personnel Administration

Management Bookshelf

From Campus to Career—What jobs in business and government are open to college graduates with majors in English, history, or one of the social sciences? This group—the "generalists"—lacks the training that makes other college graduates (such as engineers) immediately attractive to employment managers.

"From Campus to Career" has been prepared to help the generalist make the transition from school to work with a minimum of lost motion. The booklet contains general background information about employment opportunities and specific facts about eighty-two jobs that are open to generalists. *New York Employment Service, New York, New York, 90 pp., 60 cents.*

Handbook of Successful Sales Meetings—This volume contains a great many very specific and detailed ideas and suggestions on how to make sales meetings successful. The purpose of the book is to provide sales managers with new and unusual ideas designed to liven up sales meetings and motivate salesmen to go out and sell as they have never sold before. The text includes ideas on holding many different kinds of meetings, from the small problem-solving conference to the large sales convention. It is written in "how to" terms, and includes how to plan for the meeting, how to build the meeting around a central theme, how to

organize, how to prepare the talks, how to control the speakers, how to keep on schedule, how to create enthusiasm, and a host of other subjects that the author believes will be of value to the reader. *By Bill N. Newman, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1960, 208 pp., \$6.50.*

Administrative Vitality: The Conflict with Bureaucracy—The author, a professor of political science at New York University and one-time Assistant Secretary of Labor, argues that both bureaucracy and enterprise are necessary to a vital economy, but that an overdose of bureaucracy is sapping the sources of industrial enterprise in this and all industrialized countries. A part of his argument rests on analogies drawn between organizational and biological growth. Professor Dimock suggests that while uncontrolled enterprise is the occupational hazard of young business, bureaucracy can cause a mature business to decay and die. The book does not restrict itself to an examination of American companies, but draws heavily on British experience and to a lesser extent on that of the rest of the world. The author offers no clear-cut solution. *By Marshall E. Dimock, Harper & Brothers, New York, New York, 1959, 298 pp., \$5.*

A Decade of Growth in Group Insurance

The expansion of medical expense protection for employees and dependents is a highlight of this article which also covers insured disability pay and death benefits

THE FIFTIES have already been marked as the decade of primary growth in employee benefit plans. For the most part, the basic characteristics of these plans were settled in the post-Depression years; but not until World War II was there any sharp increase in the number of plans and in the number of employees covered. Following the war, this surge of fringes leveled out.

But the early years of the Fifties brought another and more powerful expansion in employee benefit coverage. This renewed growth has been apparent in the three basic fringe benefit areas: time off with pay, retirement benefits, and group insurance plans. This article summarizes basic statistical data on the growth of the various forms of group insurance in the Fifties.¹

MEDICAL EXPENSE PROTECTION

Certainly the most interesting development in group insurance during the decade occurred in the plans designed to help employees pay for family medical expenses. As the decade opened, a new form of medical insurance was introduced, generally known at that time as "catastrophe" insurance, a term which accentuated one of its major features: insurance protection for major medical expenses too large for the traditional limited-coverage medical expense plans to handle.

Furthermore, major medical brought the first wide application of two insurance principles to the group medical insurance field: (1) the concept of a deductible amount which the employee pays before the major medical insurance comes into play and (2) co-insurance on the remaining medical expenses, with the employee paying 20% or 25% of the bill and the insurance covering the rest.

This type of major medical insurance was designed to supplement an existing basic medical insurance program; it was applied only after an employee had exhausted the benefits provided by the base plan. Within a few years, however, a "comprehensive" form of medical insurance was introduced that eliminated

the basic plan entirely and applied the deductible and co-insurance principles to "minor" as well as "major" medical expenses.

That major medical insurance—both in its supplemental and its comprehensive forms—has been widely accepted is clear when one examines the substantial increases in coverage since the beginning of 1953, which are shown in Table 1.¹

For example, at the beginning of 1953 only 289,000 employees were protected by comprehensive or supplemental major medical insurance. But during that year and again in 1954, roughly one quarter of a million new employees were brought in. Since then, between 1 and 1½ million employees have been added to the rolls each year, so that 7.8 million employees were covered at the end of the decade.

A similar growth pattern is apparent for the coverage of dependents, except that 2 to 2½ million have been added each year since the end of 1955. And by the end of the decade about 12½ million dependents were protected by one or the other form of major medical insurance.

By and large, the pattern has been to extend major medical insurance to dependents at the same time employees get the coverage; in every year close to 95% of the contracts include dependents.²

Although it cannot be measured precisely, the increase in the number of companies that have installed major medical insurance has been particularly noticeable in the past few years. For example, some 1,600 new groups were enrolled during 1955; almost 4,000 were added during 1956; approximately 10,000 more were enrolled in both 1957 and 1958; and, during 1959, close to 13,000 new contracts were issued.³

The growth in the number of contracts added each year is undoubtedly related to the fact that major medical insurance has been widely accepted by smaller companies, especially in the last few years. This can

¹ Data on major medical insurance begin with coverage as of December 31, 1952.

² Dependents of a male employee include his wife and their unmarried children under nineteen years of age. Women employees generally can include their children as dependents, but only about two-thirds of the plans allow a wife to list her husband as a dependent.

³ The number of contracts is not an exact measure of the number of companies with major medical because some companies may have more than one contract.

¹ The data are from reports compiled by the Institute of Life Insurance and cover the period from January 1, 1950 through December 31, 1959. The data on Blue Cross-Blue Shield and on paid sick leave are from the 1950 and 1959 reports of the annual survey of the Health Insurance Council on "The Extent of Voluntary Health Insurance Coverage in the United States." For a similar analysis of retirement plans, see "Profit Sharing for Retirement Income," *Management Record*, May, 1960, p. 2.

be seen in the decrease in the average number of employees covered per contract. Until 1957 employees covered per contract averaged between 650 and 800. After this, the number fell off noticeably. And by the end of the decade, the average group covered was 195. (See Table 1.)

This decline in the average size of the company can be illustrated in another way, as well. For example, during 1959, 12,810 new contracts were written covering 1.5 million employees—an average of 120 employees per contract. During 1956, the average was about 370 employees, and during 1953, it was about 980 employees.

Supplemental vs. Comprehensive

The supplemental type of plan is still the vehicle used for covering most employees who have major medical insurance, as Table 1 indicates. Nearly 70% of all employees covered have this type of contract. At the beginning of 1960, some 5.4 million employees (and 8.5 million dependents) were covered by supplemental plans, compared with 2.4 million employees (and 4.0 million dependents) under the comprehensive type.

However, the percentage of employees under comprehensive plans has been increasing steadily since statistics were first available at the beginning of 1955. At that time, only 3% of employees covered were under comprehensive contracts; at the beginning of 1956 and 1957, some 15% had comprehensive coverage, and this was up to 23% by the beginning of 1958.

Table 1: Major Medical Insurance, 1953-1960

Coverage on January 1	Number of Insured		Number of Contracts Covering		Average Number of Employees Covered per Contract
	Employees	Dependents	Employees	Dependents	
Supplemental Type					
1960	5,399,000	8,501,000	17,750	17,260	304
1959	4,333,000	6,726,000	11,140	10,710	389
1958	3,962,000	5,317,000	7,460	7,080	531
1957	3,502,000	3,820,000	4,690	4,390	651
1956	1,909,000	2,016,000	2,170	2,020	880
1955	774,000	1,064,000	1,090	1,020	710
Comprehensive Type					
1960	2,431,000	4,022,000	22,370	20,720	109
1959	1,960,000	3,193,000	16,170	15,060	121
1958	1,185,000	1,950,000	8,980	8,430	132
1957	551,000	862,000	1,790	1,670	308
1956	326,000	504,000	600	570	543
1955	22,000	29,000	100	100	220
Both Types					
1960	7,830,000	12,523,000	40,120	37,980	195
1959	6,293,000	9,919,000	27,310	25,770	230
1958	5,147,000	7,267,000	16,440	15,460	313
1957	3,603,000	4,682,000	6,480	6,060	556
1956	2,235,000	2,520,000	2,770	2,590	807
1955	796,000	1,093,000	1,190	1,120	669
1954	514,000	528,000	650	610	791
1953	289,000	243,000	420	400	688

At the beginning of 1959 and 1960, employees under comprehensive plans accounted for 31% of all employees under major medical insurance.

Another factor indicating the growth of comprehensive medical plans is the number of contracts issued for this type of insurance. By the beginning of 1958, contracts issued for comprehensive plans exceeded supplemental contracts—8,980 to 7,460. By the beginning of 1960, almost 56% of the major medical contracts were for the comprehensive type of coverage. Furthermore, for each succeeding year (for which data are available) the comprehensive plans generally involve fewer employees. For example, the average number of employees under comprehensive plans by the beginning of 1960 was only 109 compared with an average of 304 under supplemental plans (Table 1). And the new supplemental plans added each year have consistently covered more employees than the new comprehensive plans. For example, the supplemental contracts added during 1959 averaged 161 employees; the comprehensive contracts, only seventy-six. The supplemental plans added during 1956 averaged 632 employees; the comprehensive plans, only 189 employees.

Basic Medical Plans

At the beginning of the decade, of course, basic medical coverage already was an accepted part of company benefit plan structures. This was particularly true of group insurance that provided hospital and surgical benefits.¹ "Other medical," the third category in basic plan coverage, was much less widespread at this time.

Approximately 8.5 million employees were covered through group insurance for each of the first two types of medical expenses at the beginning of 1950. This figure had doubled by the beginning of 1958, when employee coverage had risen to somewhat more than 17 million. Since then, protection against hospital and surgical expenses has hovered around this mark. Unquestionably some of this leveling out has been due to the increased use of comprehensive major medical plans, which eliminate the basic plan entirely.

The growth of insurance protection for medical expenses other than hospital-surgical has been much more impressive, since this coverage was relatively new as the decade opened.² Only 1.7 million employees had this type of coverage at the beginning of 1950. By

¹ The hospital coverage generally includes a specified daily benefit for hospital room and board and general nursing care plus a specified dollar allowance for other charges normally connected with a stay in the hospital—such as charges for drugs and serums, various diagnostic procedures, and the use of special equipment. The surgical coverage generally is a dollar schedule for various types of surgical procedures.

² This coverage generally provides a specified dollar allowance if an employee visits the doctor's office or if the doctor calls at his home or the hospital. Some plans include other benefits as well, such as laboratory and X-ray procedures outside the hospital.

the end of the decade, some 10 million employees were covered. (See Table 2.)

Table 2: Insured Basic Medical Plans, 1950-1960
(In Thousands)

Coverage on January 1	No. of Employees Covered			No. of Dependents Covered		
	Hospital	Surgical	Other Medical	Hospital	Surgical	Other Medical
1960	16,670	17,128	10,190	28,132	28,175	15,827
1959	16,524	16,932	9,715	27,741	27,746	14,919
1958	17,172	17,753	10,180	28,065	28,000	14,944
1957	16,660	17,350	9,573	27,030	27,036	14,112
1956	15,350	16,089	9,000	22,766	22,724	10,774
1955	14,281	14,993	7,463	20,729	20,654	8,256
1954	14,186	14,930	6,770	19,324	19,046	6,960
1953	12,959	13,617	5,367	16,450	15,959	4,748
1952	12,132	12,586	4,530	14,581	13,790	3,416
1951	10,057	10,309	3,465	12,248	10,910	2,179
1950	8,500	8,396	1,712	9,197	7,194	1,024

By and large, as Table 2 indicates, dependents' coverage under these basic medical plans has kept pace with the increased employee coverage. The number of dependents under hospital plans almost tripled during the decade; surgical coverage increased nearly four times; and dependents covered for other medical expenses increased nearly fifteen times.

This growth in dependents' coverage not only reflects the addition of new plans during the decade but also includes the extension of benefits to dependents under plans that initially excluded them. The proportion of contracts that cover dependents has increased for all three types of coverage, so that by the beginning of 1957 approximately 90% of all contracts included dependents. At the beginning of the decade, about two-thirds of the hospital and surgical contracts, but only 39% of the other medical expense contracts, included them.

As might be expected in this period of rising medical costs, the benefits provided under the basic medical plans have also risen. Two measures of the increased benefit levels can be calculated from the data used here: the average daily hospital room and board benefit and the average amount provided for the most costly surgical procedure covered by the plan.¹ At the beginning of the decade the average daily benefit for hospital expenses was just short of \$6 per day; at the beginning of 1959 this benefit was a shade over \$11 per day. The maximum surgical fee averaged \$157 at the beginning of 1950; it averaged \$243 at the beginning of 1959.²

¹ These benefits cannot be calculated for coverage as of the beginning of 1960.

² It should be noted that this discussion has covered only the basic medical plan benefits provided by commercial group insurance. These benefits, of course, are also available through nonprofit, service organizations, particularly Blue Cross-Blue Shield.¹ And many employees are covered by such group contracts.

At the beginning of 1950, \$4.3 million individuals were covered for hospital expenses under Blue Cross; 14.6 million had Blue Shield coverage; and 8.5 million had some kind of noncommercial

INSURED DISABILITY PAY

Insurance to help an employee meet the drain on his pocketbook caused by unforeseen medical bills is, of course, only one part of the financial crisis that illness can precipitate. When it is the employee who is sick, rather than one of his dependents, the problem of wage loss can be just as important as the medical expenses involved.

The accompanying chart illustrates the growth in the number of employees covered by group insurance designed to replace some of the wages lost when the employee is away from work because of nonoccupational disability.¹ Most of these plans provide for a waiting period, typically seven days, following an accident or illness before they pay benefits. Following this initial period, weekly benefits are generally paid for a maximum of thirteen or twenty-six weeks.

New Law Plays Role

At the beginning of 1950, about 10.3 million employees were covered by this type of wage-replacement insurance under some 66,000 contracts. By the end of the year, however, 15 million employees were covered, and 176,000 contracts were in existence. This addition of 5 million new employees and 110,000 new contracts in one year was due largely to the passage in 1949 of the New York State temporary disability law which, for all practical purposes, compelled employers in the state to purchase this type of group insurance coverage.² After 1950, the extension of this coverage was relatively slow, and since the beginning of 1957 there has been a definite plateau of 20 to 21 million employees covered.

Despite this leveling out of coverage, there is some evidence that insured wage-replacement programs have to some extent displaced company sick-leave plans. At the beginning of 1950, approximately 4.6 million employees in private industry and 4.8 million civilian government employees were under paid sick-

protection against other medical expenses. The comparable commercial group insurance coverages were: hospital expenses, 17.7 million; surgical expenses, 15.6 million; and other medical expenses, 2.7 million.

At the beginning of 1959, the two coverages were as follows—hospital expenses: Blue Cross, 55.2 million; group insurance, 44.3 million. Surgical expenses: Blue Shield, 46.4 million; group insurance, 44.7 million; other medical expenses: Blue Cross-Blue Shield, 38.9 million; group insurance, 24.6 million. Of course, these two sets of figures are not strictly comparable, for two reasons: (1) the commercial group insurance coverages do not include the comprehensive major medical plans; and (2) the Blue Cross-Blue Shield coverages include individuals (and their dependents) who are not employees.

¹ This form of group insurance also is used to a limited extent to supplement disability pay provided by state workmen's compensation systems.

² For an analysis of this law, see "State Disability Insurance Programs," *Management Record*, June, 1958. Three other states installed similar laws in 1942, 1946, and 1948 respectively. But in these states, a state fund is an important part of the system; therefore, their impact on wage-replacement insurance statistics has been relatively minor.

leave programs that provided for wage continuation during disability. At the beginning of 1959, the comparable numbers were 3.2 million private employees and 5.8 million civilian government workers. Thus, there was an over-all drop of 400,000 from 1950 to 1959; and 1.4 million fewer employees in private industry were covered by sick-leave plans in '59 than at the beginning of the decade.

As might be expected, the average weekly benefit provided by the wage-replacement plans increased during the decade. At the beginning of 1950, the benefit averaged somewhat more than \$22 per week; by the end of 1958, it was somewhat more than \$35 per week.¹

DEATH BENEFITS

Group life insurance, one of the earliest employee benefits, covers more employees than any other group insurance benefit. At the beginning of the decade nearly 17 million employees (under 51,000 contracts) were covered by group life plans; at the beginning of 1960 more than 39 million employees (under 154,000 contracts) were covered. As the chart illustrates, group life coverage has shown a steady increase, with

¹ Data are not available after 1958 for this computation.

roughly 2 to 2½ million employees coming into plans each year.

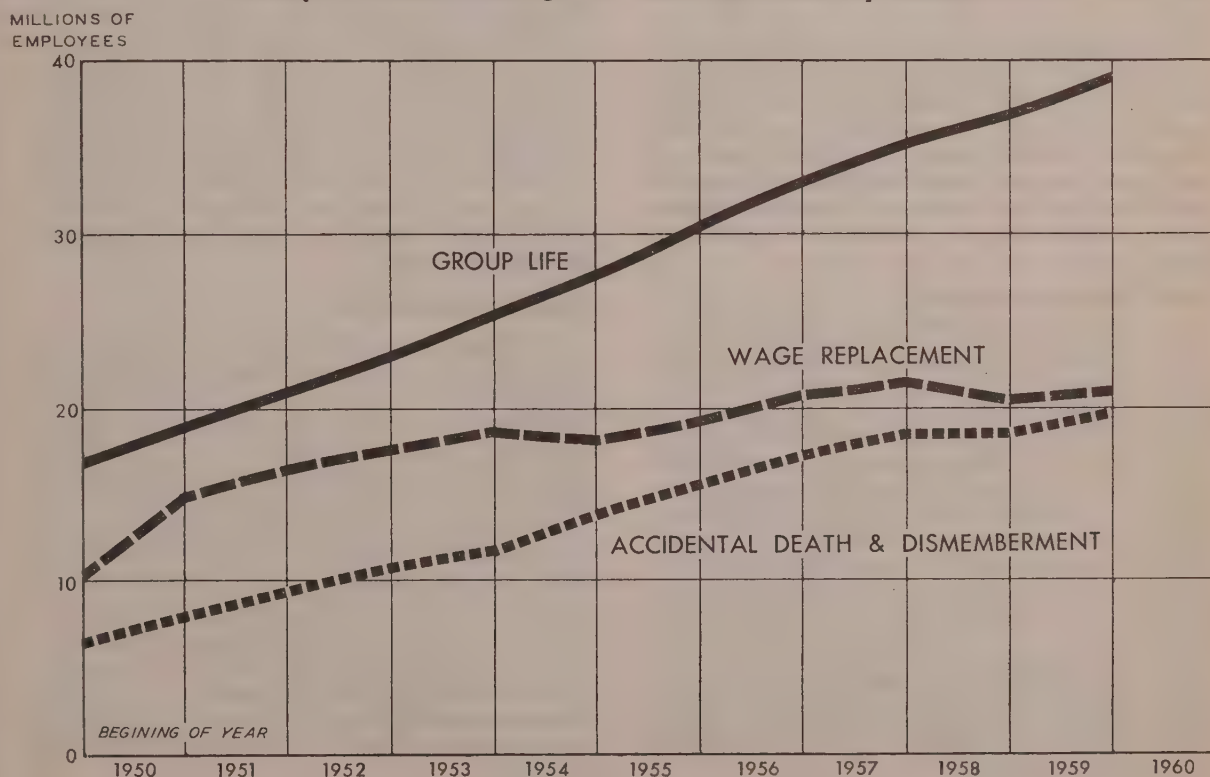
Similarly there has been a persistent increase in the average face value of group life policies. At the beginning of 1950, the death benefit averaged \$2,353 per covered employee; by 1960, this average was \$4,017 per employee.

One of the developments in group insurance that has occurred almost entirely during the Fifties has been the use of group life to provide a benefit in case an employee's dependent dies. As indicated in Table 3, there were 3 million dependents covered at the close of 1959, compared to 80,000 at the beginning of 1949. Although the number of contracts and the number of dependents covered increased nearly thirty-five fold during the period, the average death benefit per dependent has remained around \$500 during the entire period.

Accidental Death and Dismemberment Insurance

A much more common type of death benefit under group insurance is that provided if an employee dies because of an accident. In effect, this is a double indemnity feature; normally the amount of group life insurance is the same as the amount of accidental

Group Insurance Coverage for Death and Disability Benefits



death and dismemberment insurance, particularly for workers in the lower-income brackets.¹

Table 3: Group Life Insurance on Dependents' Lives, 1949-1960

Coverage on January 1	No. of Dependents Insured	Number of Contracts	Average Benefit per Dependent
1960	3,021,000	5,420	\$534
1959	2,834,000	4,720	508
1958	2,704,000	4,450	499
1957	2,313,000	3,790	501
1956	1,573,000	2,980	566
1955	1,158,000	1,500	575
1954	711,000	980	580
1953	573,000	760	517
1952	367,000	450	485
1951	249,000	370	496
1950	119,000	250	489
1949	79,000	150	524

The chart illustrates the growth of this coverage in terms of the number of employees in these plans. At the beginning of the Fifties, about 7 million employees were covered; by 1960 nearly 20 million were covered. Somewhat more than a million employees have been brought in each year during most of the decade.

The average accidental death benefit has increased from \$1,946 per employee at the beginning of 1950 to \$3,455 at the end of 1958.

MITCHELL MEYER

HARLAND FOX

Division of Personnel Administration

¹ Most of these plans cover only nonwork-connected accidents, but some cover work injuries as well. This form of group insurance also can be considered as a disability benefit: the principal sum (or maximum benefit) is paid for the loss of two members (hands, feet, eyes, or any combination), and half of the principal sum is given for the loss of any one member.

Who Gets Psychiatric Help?

THE INCLUSION of psychiatric coverage in a majority of the major medical insurance plans offered employees was reported in a recent *Management Record* article.¹

Although psychotherapy is apt to be a lengthy process, and therefore expensive, no significant jump in costs because of this coverage has been reported—that is, until recently. Now, some carriers say that where the covered group includes a very high percentage of creative, well-educated people, the trek to the analyst's couch has sent both costs and premiums soaring—in some cases causing the company to drop this coverage.

Better Educated More Neurotic?

One might ask, does this mean that the creative, well-educated worker has more problems than the less-educated production worker, file clerk, or typist?

Not necessarily, would seem to be the answer suggested by the findings of a nationwide survey made by the University of Michigan's Survey Research Center, and recently published in the book, "Americans View Their Mental Health." In fact, authors Gerald Gurin, Joseph Veroff, and Sheila Feld found that unskilled workers and men who hold clerical jobs report more general unhappiness than other groups. However, these people are not likely to seek psychiatric help for

their problems. If help is sought, they are more apt to turn to their clergyman or the family doctor. It is the more educated, these researchers report, who most frequently have thought of getting psychiatric help for their mental problems. In fact, among those who attended college, twice as many said they had personal problems that might benefit from such professional help than was the case for those whose education ended in grade school. These researchers note: "The highly educated are more introspective, express greater concern over personal and interpersonal aspects of their lives, and display more psychological rather than physical symptoms. . . ."

Expect Increased Demand

"It is clear that the younger, better educated groups—the ones who have been exposed to the most mental health information in school or in their personal reading—have much greater recognition of the psychological nature of many of their problems and, hence, more appreciation of the mental health professions as a resource when help is needed."

With the trend toward fewer jobs for unskilled workers and the ever-increasing demand for professional and skilled groups, there seems to be little doubt that we are becoming a better educated nation. Perhaps with an eye to this, the authors conclude that "as the educational level of the general population increases and as the growing acceptance of psychiatry becomes characteristic of the general population, we should expect demand for therapeutic facilities to increase."

¹ See "Industry Considers Mental Health," November, 1959, p. 361. Also see p. 45 of this issue for a description of a major medical plan including psychiatric coverage in a new Northwestern Bell Telephone Company contract that is expected to set the pattern for the entire Bell System. Psychiatric coverage in this plan, with certain exceptions, is on a fifty-fifty basis, while the plan pays 80% of other medical expenses.

Company Payment of Membership Expenses

An analysis of policy and procedure statements on memberships indicates the types of organizations covered and when and for what the company foots the bill

WHEN AN EMPLOYEE joins a technical or business organization, he is likely to have his own welfare uppermost in mind. The engineer who becomes a member of a professional society, for example, usually wants to keep abreast of new developments so he can win promotions and earn more pay. The salesman who seeks membership in a civic or social club probably wants to build up his list of prospective customers so he can make sales and earn higher commissions.

If these objectives are accomplished, however, the employee holding the membership is not the only gainer. His employer benefits, too. The new ideas the engineer is able to carry back to his job, while promoting his personal advancement, also contribute to his company's progress; the additional orders the salesman is able to write, while boosting his commissions, also add to his employer's profits.

The possibility of such roundabout rewards has led a number of companies to encourage—and even require—some of their employees to join various professional, trade, civic, and social organizations.

When this happens, who pays the initiation fees, the annual dues, and the other expenses that membership in such organizations may entail—the employees or the company?

Many companies, it would seem, let their answer to this question depend on the facts in each individual case. When they are convinced that the membership of a particular employee in a particular organization will help the company, they may pay all or part of the membership expenses incurred by that employee. But most companies have not seen fit to make statements of their over-all attitude that could serve as a guide in this matter of employee memberships.

A few firms, however, have made that move. They have decided to *state in writing* just how far they wish to go in sponsoring employee memberships. Policy and procedure statements, drawn up at the corporate level:

1. Make known the types of organizations these companies wish their employees to join.
2. Specify which groups of employees are to receive company assistance.
3. Spell out the exact extent to which the companies are willing to go in paying the membership expenses that their employees incur.

The company attitude (the degree of encouragement given the employees) is expressed through policy. Policy is a long-range statement in writing of a company's intent or goals, based on philosophy or belief. It serves as a positive guide to individual action and is not ordinarily subject to change.¹ For example, a company is stating its policy with regard to employee memberships when it says:

"It is [company] policy to provide a reasonable number of individual and company memberships in professional associations and societies, the activities of which are considered to be beneficial to the company and to the employee."

A procedure is also a company statement in writing; but, unlike policy, it is subject to change. Its purpose is to translate policy into practice. Through procedure, for example, a company that has committed itself to the policy of providing memberships for some of its employees spells out the conditions that employees must meet to qualify for the memberships.

An analysis of the employee membership statements found in THE CONFERENCE BOARD's file of policy and procedure manuals indicates that these statements are the result of careful investigation and study. The types of organization which the employees are encouraged or required to join are clearly specified, usually in policy statements; the conditions which govern the company's payment of all or part of the membership expenses incurred are precisely defined, usually in procedure statements.

TYPES OF ORGANIZATIONS COVERED

Policy statements on employee memberships usually define company interest in the following types of organizations:

1. Technical or professional societies
2. Trade associations
3. Civic groups
4. Social clubs

As a rule, no more than one or two of these organizations are specified in a single policy statement. The memberships, too, are customarily reserved for em-

¹ See "Statements of Personnel Policy," *Studies in Personnel Policy*, No. 169.

ployees who can hold them to the best advantage of the company.

Technical and Professional Societies

With science advancing so rapidly, more and more companies are encouraging their engineers, chemists and other technical employees to join professional societies.

Sometimes, technical employees are urged to become members of a particular society or of the "leading" society of their profession. Other times, more latitude is allowed. One company distributes a list of acceptable societies to all department heads, along with these instructions:

"This list shall be illustrative of the types of societies for which membership may be approved. Because of the changing nature of the professional societies, and of employee duties with the company, this list is illustrative only and not controlling. Where a request for membership is made in a society which does not appear on the illustrative list, approval or disapproval shall be made by the department head, based on the relationship of the society to the employee's function with the company."

Companies urge their technical employees to join professional societies for their own good, as well as for the good of the company. It is felt that membership in these societies will help the employees keep abreast of new developments and enable them to establish close personal contacts with men active in the same field of endeavor. A chemical company sums up its feeling in this way:

"The company recognizes that the professional development of technical men is augmented by attending meetings of their professional societies, both local and national. Accordingly, it is the policy of the company to finance the attendance of groups of technical men at such meetings, selection being on a rotational basis."

And a fabricated metal products company expresses its policy as follows:

"The company desires to encourage and assist professional employees to continue their personal growth and development through the medium of participation in the activities of professional societies."

Having technical employees participate in the activities of professional societies can aid companies in other ways as well. As members, the employees may have opportunities to promote the company by reading (and, possibly, also publishing) papers about company activities.¹ By the same token, listening to the papers of other members enables the employees to inform themselves of the progress being made by others. The policy of a machinery company states:

"The company encourages members of its professional

staff to affiliate with their professional engineering societies, to take an active part in their work, and to prepare and present articles and papers from time to time."

As members, moreover, employees receive copies of the magazines, reports, and other publications put out by technical societies. These can be routed to non-member employees who are likely to profit by the information they contain. Society publications can also form valuable additions to the company's technical library. An electrical manufacturing company may have had this benefit in mind when it stated:

"To improve steadily our professional standing in industry, management believes that:

"1. We should have active participation in leading technical societies at the local and national level by our qualified technical personnel.

"2. Each significant technical development should be recorded as part of the permanent engineering literature."

Trade Associations

Some companies see several advantages in having their employees represent them on trade associations. Such representation is likely to have public relations value. It can also help the company to keep informed of new advances made in marketing, personnel, manufacturing, finance, labor, processing, and other business pursuits. The trade shows of such associations, too, give the company a chance to display its products before interested audiences.

These advantages have prompted some firms to write policy statements on the subject of employee participation in the activities of trade associations. A Canadian company, for example, writes:

"In the interest of promoting the communication of ideas and information among industrial organizations, the company intends to maintain company memberships in associations whose activities contribute to the company's over-all progress."

And a United States firm has this to say about trade associations:

"The company recognizes that memberships on the part of key employees in leading industrial, management, and commercial organizations will be of benefit to it and will help it keep abreast of, and have ready access to, new developments in the many fields in which it is engaged. It also recognizes the public relations value of corporate memberships in such bodies."

This statement specifies "key employees." Another company says "Practically all of our managers, regional sales executives, and company officers have memberships in trade associations." But memberships in such organizations are not necessarily limited to executive employees. They may be given to any employees who can benefit the company by holding them. For example, an electric service company states:

¹ The numerous advantages of having employees write technical papers are presented in an article "When Employee Turns Author," *Management Record*, February, 1958, p. 42.

"It is company practice to provide employee memberships . . . at company expense. These memberships are provided when it is felt that they will be of benefit to the company through the additional knowledge or associations gained by the employee through the membership, or when it is felt that the company should participate in the activities of an organization whose primary purpose is to further and improve the utilization of electric service by the public."

Civic Groups

Companies seem to be growing steadily more community conscious. One evidence of this trend shows up in the increasing number that encourage their employees to become members of various civic groups, such as Rotary clubs, Kiwanis clubs, the Lions, the Elks, Chambers of Commerce, and the like. A few firms, in fact, have emphasized such encouragement by spelling it out in a policy statement. Here is a sample:

"All employees are encouraged to take part in civic activities as individual time and inclination dictate. Individuals who assume civic responsibility increase their list of friends and develop leadership, which reflects creditably upon the company's place in the community."

Social Clubs

Employee memberships in social clubs are seldom made the subject of a policy statement. In the rare instance when such a statement is found, it is likely to say no more than the following: "It shall be the policy of the company to provide for memberships in clubs . . . through an annual budget approved by the chairman."

But this does *not* mean that very few companies encourage their employees—particularly their executive employees—to join social clubs for business purposes. A Conference Board survey of forty companies revealed that twenty-five of them actually provide memberships in country, athletic and downtown dining clubs for selected executive employees.¹

As a means of promoting company business, some of these companies encourage or require their top executives and sales managers to become members of social clubs. One company limits membership to sales executives, in the belief that "top sales people can use these club memberships to the company's best advantage by bringing in new business." Five other companies, with multiplant operations, require plant managers to have memberships in social clubs because of their "value from a community relations point of view." The other companies that provide social club memberships leave it to the executives to decide whether they should avail themselves of this particular privilege.

¹ See "Executive Extras," *Management Record*, December, 1958, p. 407. Also see the Board's new report, "Administration of Executive Expense Accounts," *Studies in Business Policy*, No. 96, p. 15.

COMPANY PAYMENT OF EMPLOYEE EXPENSES

Whether a company decides to pay the expenses its employees incur as members of an organization often depends upon the type of organization involved. An examination of the procedure statements of twenty companies on the subject of such payments discloses that only two of them have statements broad enough to apply to all types of organizations. One company simply uses the all-inclusive term "organization," without further qualification:

"If an employee is requested by the company to join an organization, the company will pay all expenses—such as dues, transportation, dinners, etc.

"If an employee, of his own volition, wishes to join an organization whose purpose is to study and discuss matters directly connected with his present job, the company, subject to the previous approval of the personnel manager, will pay 50% of the dues only."

The other company designates "technical and trade associations and clubs"; but this designation would seem to admit of an interpretation that could encompass the four types of organizations discussed in this article:

"The company encourages executives to join technical and trade associations and clubs where the memberships serve the interest of the company or are in conjunction with the employee's work. Such affiliations are subject to the approval of the president if they are to be charged as a company expense. Entertainment expenses in conjunction with such memberships are not allowed unless the entertainment serves the best interests of the company or is an influence on the company's business."

The procedure statements of the other eighteen companies, in the matter of the payment of employee membership expenses, cover no more than two specified types of organizations.

Professional or Technical Society Expenses

Seventeen of the twenty companies examined have procedure statements that deal specifically with the payment of expenses incurred by employees as members of professional or technical societies.

One company treats such expenses as the "personal responsibility" of its engineers. It states: "An employee who regards himself as a member of the engineering profession has a personal responsibility to support actively at least one technical society."

Seven of the companies, on the other hand, state that they will pay the full cost of the memberships their employees hold in professional or technical societies if proper approvals are secured. For example, a Canadian company says:

"Employees who belong to specialized societies related to their work for the company may have the dues of such organizations paid by the company. Payment of particular fees is recommended by the division head to the vice-

president, personnel, for approval. The staff personnel department will arrange for payment of the fees."

Technical employees are urged in the statements of three of the companies to join one professional society at their own expense, but the promise is added that the company may pay the cost of any other professional societies they join in connection with their work. A New England manufacturing company, for example, tells its professional staff:

"Members of the staff are expected to pay personally the initiation fee and dues of the first professional society which they join, but the company is generally willing to pay the initiation fees and dues of such societies as the employees may subsequently join with the approval of their department heads, when such membership is clearly in the company's interest."

Payments in two of the companies are restricted to cases in which management requests or requires employees to become members of technical societies. A utility states this restriction as follows:

"Where an employee is requested by the company to join a society, the company should pay the initiation fees, annual dues, and other expenses of attendance at meetings, whether in town or out of town. . . .

"Company requests for employee membership should arise only where the company is expected to derive specific benefits from the membership."

Another two companies pay membership expenses in professional societies only when the memberships are maintained in the name of the company. A manufacturing company declares:

"Membership expenses shall be considered a company expense only when approved by the division director concerned and the budget committee, and only when membership in an organization is maintained in the name of the company. Personal memberships shall be paid by the individuals who wish to have the benefits of such organizations. (Membership dues in professional organizations are deductible for income tax purposes by the individual who pays them.)"

In the remaining two of the seventeen firms that have procedure statements dealing specifically with the payment of expenses incurred by employees as members of professional or technical societies, company payments depend upon the origin of the membership requests. If the company requests an employee to become a member of a professional society, it pays all membership costs; if membership is the employee's own idea and is taken out with the approval of the company, then the company pays a portion of the membership costs.

Actually, the procedure statement of one of the two companies following this practice has already been quoted. Given above as an example of a statement broad enough to apply to all types of organizations, it announced management's willingness to pay the full

cost of company-requested memberships and 50% of the dues for company-approved memberships initiated by employees.

The other company states that it will pay all costs and expenses incurred by employees holding "company memberships" and "company-required individual memberships" in professional societies, and at least 50% of the fees and dues that employees incur as members of societies they join on their own initiative with the company's approval. Conditions governing the partial payment of the expenses connected with such "company-approved individual memberships" are described in this procedure statement:

"The company will pay at least 50% of membership fees and dues in 'employee-selected' professional societies whose activities are closely related to the employee's function in the company if:

- "1. The employee requests the action.
2. Department-head approval is obtained prior to initiating or receiving the membership."

Trade Association Expenses

Of the twenty companies examined, fourteen have procedure statements that permit the underwriting of all or part of the membership expenses of employees who belong to trade associations. Only two of the fourteen provide for partial payments—the same two that pay the full expenses of employees in professional and technical societies when membership is company requested, and pay 50% when membership is employee requested. The same full and partial payment procedures apply to expenses incurred by the employees of these two companies as members of trade associations.

The other twelve companies pay all the membership expenses for employees who join trade associations, provided certain stated requirements are satisfied. Three of the companies, for example, will pay only when they request the employees to join; another three will pay only when the memberships are maintained in the name of the company and are assigned to designated employees. Payments of expenses in the other six companies are conditioned on approval of the memberships before they are taken out by the employees and on consideration of the benefits the company can expect in return. One company states these conditions as follows:

"The company expects employees to pay their own membership dues in industrial, management, personnel, commercial and service organizations. . . . However, as and when an employee uses the facilities provided by such organizations for company business, with approval, the company will pay the reasonable expenses involved."

Civic Group Expenses

Half of the twenty companies examined have pro-

(Continued on page 43)

Following Up Periodic Attitude Surveys

Past experience has convinced the employees of Johnson's Wax that the company's follow-up on attitude survey findings will be prompt, vigorous, and effective

EMployees of S. C. Johnson & Son, Inc. have come to expect an attitude survey every three years. Six have been made since the initial one was conducted in 1942. In the last three surveys, made in 1953, 1956 and 1959, virtually the same questions were asked. The every-third-year rule is not sacrosanct, but it does represent the company's idea of about how often an attitude survey should be conducted.¹

"We like to take a reading about every three years to get a line on what our employees are thinking," one Johnson executive commented. "If we made the surveys closer together, we'd hardly be finished following up one before getting into the next. But if we waited much longer than three years, we might not learn of situations needing attention while they still were small enough to handle easily."

Attitude surveys are an integral part of the personnel program of Johnson's Wax. Employees are not only familiar with the procedures used in conducting a survey, but they also know that the results will be published and acted upon.

They know that they will be invited to fill out a prepared form, anonymously, on company time, and that the form will include a large number of questions, usually about one hundred.² They know that when they finish, the forms will be collected by a representative of the Bureau of Industrial Psychology of the University of Wisconsin, and that the bureau will tabulate their answers and make a detailed report of the findings to the company.³

¹S. C. Johnson & Son, Inc., more familiarly known as "Johnson's Wax," manufactures products for home care, commercial maintenance, industry and agriculture. The company, whose home office is located in Racine, Wisconsin, has 1,600 employees.

²The standard employee inventory published by Science Research Associates was used in the 1953, 1956 and 1959 surveys. The company added a number of questions of its own to the SRA inventory, including a section for written comments. The 1959 survey form was eleven pages in length and contained 106 questions. There were nine "write-in" questions. Most of the employees were able to complete the form in one hour or less.

³Field personnel are contacted by mail. In the 1959 survey, 89% of the field personnel completed and returned their forms. (Each employee was also given a postal card to mail separately. It simply reported that the person mailing it had cooperated in the survey. A follow-up memorandum was sent to those who did not return the postal cards. This plan was credited with boosting the percentage of cooperators. And since the signed postal card and the unsigned survey form were not mailed together, the anonymity of the individual was protected).

They know they will be told about the findings. And, finally, they know their company will study the report and take corrective action, if and where problem situations are uncovered. They know these things because they took part in previous surveys, because they observed what happened after these surveys, and because they have confidence in the company's management.

Survey Sophistication a Factor

The sophistication that employees have developed as a result of taking repeated surveys has led them to expect definite action from management. Since the surveys have become standard practice, Johnson's management feels a greater responsibility to follow through than might be felt by a company that made occasional surveys "just to see how things are going." And management is well aware that the employees would soon begin asking questions if, after a survey, no follow-up, or a half-hearted follow-up, was initiated. Past experience has convinced the employees that the follow-up will be prompt, vigorous, and effective.

S. C. Johnson reports: "An employee attitude survey means at least a full year of follow-up work for us. Responsibility for follow-up devolves chiefly on the personnel department. This is only natural. The things that employees are most concerned about are the things that affect them day by day in connection with their jobs. These usually are personnel matters, and they are the things we ask about in attitude surveys." But while the follow-up may be concerned largely with personnel matters, all supervisors and managers are actively involved and cooperate fully in reporting survey results and taking corrective action.

A follow-up action pattern was established after the 1953 survey and has been followed, with minor variations, ever since. However, the *specific* things done have varied with each survey.

Breakdowns Are Useful

The first step in the follow-up is to report the survey results promptly, first to management and then to the employees. The survey findings for the company as a whole and for certain large groupings of employees are studied and discussed by top management. At this time, the personnel director identifies problems

which involve general personnel policies, practices, or benefits and recommends appropriate action or further study.¹

Separate reports are prepared for each of the six operating divisions of the company and are reviewed with the division heads.² Through the breakdowns that are provided by the university tabulators, it is possible to analyze the findings by various groups within each division.³ As this is done, attention is focused on specific problems that may exist in different segments of the organization. Then action decisions are made: What should be done? How should it be done? Who should do it? When? If employees' requests cannot be carried out, the reason for the company's decisions are given.

¹ Comparative results are given for home office vs. field employees, men vs. women, management vs. technical personnel, etc. Comparisons with previous surveys also are presented.

² The divisions are production, research and development, household products, service products, financial, and international.

³ Groups of six employees or less are combined with other units so that individuals cannot be identified. Specific comments reported back to management are paraphrased to further guarantee the anonymity of responses.

Although the responsibility for follow-up rests with the personnel director and the division heads, assisted by their supervisory personnel, the company has found it desirable to work with established committees in developing suitable courses of action. For example, each division head meets with his divisional committee, consisting of his operating department heads, and maps out a program for his unit. The personnel director works with the executive staff committee, composed of fourteen executives at the department-head level representing all divisions of the company, on problems of company-wide significance. The recommendations of the executive staff committee and the personnel director are acted upon by the president and the management committee, which includes the division heads.

Employees Are Informed of Survey Results

After the survey results have been reported to all levels of management, the employees are informed. The findings for the company as a whole are made the subject of a feature article in the employees' magazine,

Employee Opinion Survey Bulletin

To: All Employees

Subject: Promotion Policy

The recent employee opinion survey reflected some concern about the promotion opportunities and policies of our company.

Nearly everyone is interested in an opportunity to "get ahead"; it's just human nature. When this desire is coupled with a great deal of interest in the company and its future (as was also indicated in the survey) promotion opportunities are likely to be uppermost in the minds of many employees.

Commenting on this subject in the questionnaire, some employees asked for an explanation of our promotion policy and information on how it works out in actual practice.

Our Promotion Policy

Our promotion policy, as printed in the company's policy manual, is as follows:

"Objective

1. To fill all positions with the best qualified candidates.
2. To provide the maximum opportunity for the promotion of company employees.
3. To foster the development of employees by diversifying their experience.

"Policy

1. Vacant or new positions will be filled by selecting personnel in the following order:
 - (1) Promote company employees who are qualified or could become qualified in a reasonable time.

- (2) Select the best outside qualified person who can be obtained within the compensation range established for the job.

2. For a given job, other factors being equal, preference in selection or promotion will be given a person from the area in which the work is to be performed.
3. Rotate employees into different jobs either within or outside of their department or division."

Our Promotion Record

A review of our personnel records shows that on the average one out of every ten employees receives a promotion each year. For example, in the last three fiscal years there were 151 promotions in 1957, 137 in 1958, and 142 in 1959, making an average of 143 per year. During these same years our total company employment averaged 1,439 per year. Thus it is evident that about 10% of our employees are promoted each year. These figures represent actual promotions from one job classification to a higher one and do not include merit increases or lateral transfers within the same pay group.

Employees' Records Reviewed

When a job opening occurs, our regular practice is to search the records for eligible employees. Recommendations are obtained from supervisors who may have employees in their departments who could qualify for the job. A list is then prepared of the persons who seem to have the qualifications required. The supervisor or manager involved reviews the records of each recommended employee and interviews those he deems best suited for

the *Jonvax Journal*. The specific results for each division are discussed with employees by their supervisors in small group meetings. This permits two-way communications and makes it possible to clear up misunderstandings and to deal with minor problems affecting the unit concerned.

In addition to the above, a series of bulletins is prepared, each dealing with a particular topic or situation revealed by the survey. The first bulletin in the series is issued by the president of the company and reports his general comments on the survey findings. Succeeding bulletins are usually written by the personnel director or the division heads.

Johnson's Wax reports that the bulletin idea seems to have been a particularly effective device for reporting back to employees. Every worker gets a copy of each bulletin. The company feels that high readership is obtained.

It is almost always true that an attitude survey will reveal some company-wide as well as divisional and departmental problems. An illustration of what was done about one such situation that came to light as

a result of the 1959 survey will indicate the typical follow-through procedure.

Who Is Being Promoted?

A number of employees in this survey felt that opportunities for advancement were limited. This criticism was offered frequently enough to deserve special attention.

A summary of the survey findings on this subject was included in the *Jonvax Journal* feature article on the company-wide results in a section entitled "Opportunities for Growth and Advancement." The presentation was factual and objective.

In addition, a special three-page bulletin was prepared on the subject of promotions. The contents of this bulletin is shown below in the boxes on these facing pages.

Follow-Up Progress Report

Seven months after the survey, the personnel department made a progress report to top management. The following items were among those covered.

the job. Only after full consideration is given to present employees can the decision be made to hire a person from the outside.

Of course it must be recognized that for some specialized jobs an outsider may sometimes have an advantage over an employee because of his ability to bring to a creative job a broad experience and fresh point of view which could be important to the company's growth.

New Products Will Bring New Opportunities

Now what about the outlook for promotion opportunities in the future? We should first realize that our company is relatively small in terms of the number of employees and that employment here is very stable. If we were an industrial giant or had a higher rate of employee turnover, promotion opportunities might come up more often, but job security would probably suffer.

Numerous new product introductions and two new plants (aerosol and "DPA") unquestionably will provide promotion opportunities. The new aerosol plant will add approximately fifty new jobs, including a limited number of supervisory assignments that will provide some advancement opportunities. The "DPA" plant will also provide new jobs, but as yet plans are not sufficiently developed to allow accurate predictions.

We also hope to increase our business in established fields which will mean an increase in the total number of employees and should bring an increase in promotion opportunities.

Specialization Becoming More Important

In order to meet competition successfully and profitably, many of our operations must be made more efficient, more mechanized and more automated. This will offer

opportunities for more specialized and highly trained employees. There will be fewer jobs for unskilled labor and more jobs for skilled workers. To fill these jobs adequately employees will need additional training, much of which can be acquired on the job.

What It Takes to Be Promoted

Among the major criteria by which an employee is selected when an opportunity for promotion occurs are these: (1) good performance on present job; (2) good qualifications for the new job, including proper experience and training; (3) an enthusiastic interest in the new job; (4) ability to work well with others in related jobs; (5) ability to originate ideas; (6) ambition and initiative; (7) patience and perseverance; (8) dependability; and (9) energy and good health.

This is a very important and complicated subject. Each person must understand his own abilities and personal characteristics and must prepare himself for the jobs in which he is interested. If you need help in planning for a step upward consult your supervisor, department head, or the personnel department.

Will You Be Ready?

Timing is extremely important in filling job openings. New or vacant positions must be filled promptly. An employee who is "ready" with the required qualifications as listed above will have a marked advantage when an opening occurs. Even though an employee may miss one promotion opportunity, it is important that he continue to do the best possible job in his present position and prepare for the next chance. The old saw that states, "Opportunity only knocks once," just doesn't apply in the business world today.

Job Evaluation: (a) Employees' comments revealed a need for further explanation of how jobs are evaluated and pay scales established. An article on "Job Evaluation and Pay" was written by the personnel director and published in the *Jonwax Journal*. The rationale of job evaluation, the background of its use at the company, and its present mode of operation were discussed.

(b) Each division reviewed its job descriptions and evaluations to pick up any significant changes in jobs and to make sure that evaluations were up to date and correct.

Performance Review Form: Critical comments about the forms used for the annual employee performance reviews led to a study of the entire program by the personnel department and the executive staff committee. As a result several new forms were developed, and some changes in procedure were made.

Benefits and Services: (a) Some inequities in medical benefit coverage were pointed out by employees. The personnel department worked with the executive staff committee, the Johnson Mutual Benefit Association, and the management committee in setting up a new comprehensive medical insurance plan which was put into effect on May 1, 1960.

(b) An attitude-survey bulletin on recreation was sent out to all field employees explaining how they could participate in activities sponsored by the Johnson Mutual Benefit Association.

(c) In response to inquiries from field salesmen, a plan was adopted by the household products division to provide more flexible vacation schedules for salesmen.

Maintaining the Company's Standing

S. C. Johnson has one "problem" that many other companies undoubtedly would be willing to share. The outstanding finding from each survey to date has been that the company, as viewed by its employees, *has no really serious problems!*

In the 1959 survey, 92% of the employees said they were proud to work for Johnson's Wax. In submitting its report on this survey, the University of Wisconsin observed simply, "The morale of the employees continues to be good."

The company's policies and procedures are generally approved by the employees. Of course, there is clearer understanding and wider endorsement in some areas than in others, but basically the surveys have simply added to management's confidence that it is on the right track and that it can count on the continued support of its employees.

Because the situation at Johnson's Wax appears so favorable, management has to keep reminding itself

that it cannot afford to rest on its laurels. Its "problem" is to maintain and to continue to merit its high standing. The company believes that periodic attitude surveys provide a means for evaluating the effectiveness of its programs, as well as supplying new ideas for maintaining good employee relations.

STEPHEN HABBE

Division of Personnel Administration

Management Bookshelf

Characteristics of Engineers and Scientists—A five-man research team from the University of Michigan collected the information for this report. They did it by talking with more than 400 employees in eight manufacturing companies and two utilities. Forty-four executives, ninety-one supervisors, and 277 nonexempt employees from the ten companies participated in the study.

Purposes of the report, the fourth in a series dealing with relations of management to technical personnel, were to "identify and publicize managerial policies and practices that promote the productivity of [engineers and scientists] and increase their satisfaction in their work." Considerable attention is given to factors that the interviewees said made for interesting and challenging work assignments. *By Lee E. Danielson, Bureau of Industrial Relations, University of Michigan, Ann Arbor, Michigan, 136 pp., 1960, \$4.*

A Technical Writer's Handbook—Technically trained people sometimes have difficulty putting their ideas on paper. What they write often lacks clarity and appeal. This book was written to show engineers, scientists, technicians and businessmen how to write clear, accurate and colorful reports of various kinds, how to plan effective visual presentations, and how to prepare speeches. It explains the basic methods of research and the application of logic to technical writing. Included are a section on grammar and modern usage, a punctuation guide, and an analysis of the emotional factors that sway readers. An appendix features examples of different types of technical writing. *By Margaret Norgaard, Harper & Brothers, New York, New York, 1959, 241 pp., \$3.75.*

Public Administration—"In an attempt to give the student the 'feel' of an administrative situation," this textbook analyzes the governmental administrator from the point of view of what he does. Though the authors give attention to the role and tasks of the specialist, it is the administrator—as department or section head—in whom they are really interested. An earlier edition of this work has appeared under the authorship of Professor and Mrs. Dimock. Professor Koenig, one-time member of the Bureau of the Budget and the second Hoover Commission, is a new author in this edition; he contributes material and experience on the role of the chief executive, the staff services, and administrative federalism. *By Marshall Edward Dimock, Gladys Ogden Dimock, and Louis W. Koenig, Rinehart & Company, Inc., New York, New York, 1958, 573 pp., \$7.*

Employees Learn About Classical Cookery

SOME employees of the Schering Corporation are acquiring decidedly epicurean tastes. Their pantry shelves are sprouting bouquet garnis and shallots; their menus are featuring items such as Coq au Vin and Beef Stroganoff; and with the addition of cognac, claret, and liqueur labels, their liquor cabinets are assuming a cosmopolitan aspect.

In fact, a bit of classicism has invaded the taste-buds and cooking arts of approximately fifty company employees. Their stimulus is a classical cookery course innovated by Schering's manager of food services, a Frenchman who came to this country in 1946 and who has supervised the New Jersey company's three in-plant cafeterias since 1957.

For two hours an evening every other week for a ten-session course, this food service head dons a chef's hat and keeps class members wide-eyed and attentive as he demonstrates the intricacies of preparing specialties like Veal Chop Milanaise, Filet de Sole Pompadour and Coq au Vin. Not only does he explain and demonstrate the cookery, but he also makes enough of the entree for the entire class to sample after the demonstration. Printed recipes are distributed before the cooking starts so the class can more easily follow what is happening. The purpose of these classes is to continue a company program of extracurricular activities and to promote the art of classical cookery.

The entree demonstration might be preceded by the preparation of an appetizer such as Quiche Lorraine. (This hors d'oeuvre is made from eggs, cream, bacon, chives and seasoning and baked in a pie crust. It can also be used as an entree with a salad.)

The Desserts Are Classic

The entree is always followed by the preparation and then sampling of a classic dessert: Floating Island, Bananas Flambe Chartreuse, or Pineapple Say-bayon, for example. The last one—a favorite with the class—consists of powdered sugar, egg yolks and dry white wine, cooked and whipped and then added to diced pineapple and placed in the pineapple shell from which the pineapple has been scooped out.

Class members not only are introduced to the mysteries of cooking with wine and cordials, but are also taught how to select a wine to accompany a meal. They learn, for example, the differences between a Pouilly Fuisse and a white Bordeaux, between a Beaujolais and a Medoc. For the first course, which ended before the summer vacation season began, both the wines used in cooking and the drinking wines and

cordials, such as vermouth, champagne, cognac and Asti Spumante, were provided by a New York wine import company as a public relations and education-in-wine venture.

The course is free and open to all employees, hourly and salaried. The company supplies the facilities for these classes, and employees spend their own time after working hours for the lectures. To the surprise of some, but not the French instructor-chef, more men than women attended the first course. A new session will begin in October.

Final Session Is Formal Dinner

The company paid for the food used in all the classes except the last. At the request of the class members themselves, the final session was a formal several course dinner, for which each person paid \$8, and to which class members were permitted to bring guests at \$8 per guest. The menu included:

- la Quiche Lorraine (described earlier)
- le Consomme Double avec La Moelle (double strength beef consomme with marrow)
- la Noisette de Veau, Printaniere (veal rump with vegetables)
- Saint Emilion, 1953 (wine)
- la Salade de Laitues (lettuce salad with miniature tomatoes)
- le Vacherin de Peche, Princesse (meringue filled with three different ice creams, peaches, and Grand Marniere)
- Cafe

The culinary interests of the company's food services manager are reflected, also, in the cafeteria menus in the three different plants. At certain times of the year, specialty dishes are featured to introduce foods of other lands. During an international week, for example, dishes on the menu included Mexican, Cantonese, and German favorites. South American dishes—Arroz con Pollo, Puchero, Escabeche, Empanadas de Hornos, Enchiladas—marked a Pan American day menu.

During the July 4 week this year, American dishes including Boston baked beans and brown head, roast Long Island duckling, New Orleans creole, and Florida pompano were served. All meals are subsidized by the company.

DORIS M. THOMPSON
Division of Personnel Administration

Personnel Practices Relating to the Handicapped in Small Companies

The hiring of physically handicapped persons is no longer considered a novel or doubtful undertaking for employers. Services of such workers have been increasingly utilized by large companies in business and industry. Some small companies, too, have recognized the value of hiring the handicapped but progress here, on the whole, has been slow. To promote more such hiring among small companies, the Small Business Administration is cooperating with the President's Committee on Employment of the Physically Handicapped.¹

But effective employment of the handicapped entails more than hiring. It means, also, placing the employee in a job that is satisfactory to him and that best utilizes his abilities, judged from the standpoint of the company's economic welfare. Finally, it means seeing that there are opportunities for promotion and transfer following the initial placement.

This latter aspect of employment is one that received the special attention of small companies at a recent employers' panel sponsored by the President's Committee on Employment of the Physically Handicapped and the Small Business Administration.² Other personnel matters discussed by the panel members concerned the supervision of handicapped persons and management's relationship with agencies serving the handicapped.³

Highlights of opinions expressed by some of these speakers follow.

Management's Relationship with Agencies Serving the Handicapped

Aaron N. Solomon, President
Ace Electronics Associates, Inc.
Somerville, Massachusetts

PERHAPS SOME OF US are not aware that every year over 300,000 men and women are added to the number of physically impaired people. In contrast, job placements fall far short of this figure. Approximately 80,000 handicapped people were placed in the year ending June 30, 1959. An additional 20,000 were rehabilitated but not placed in gainful employment. A full analysis of this situation may make it possible to find ways of bringing these figures into better balance.

Naturally, as a businessman, I am used to reducing problems of the work-a-day world to facts and figures such as: available funds in the bank—obligations payable; total business volume booked daily—total business volume shipped daily; list of overdue orders—engineering problems requiring immediate solutions; and long-range engineering problems—immediate and long-term equipment requirements.

An evaluation of all these facts and figures is necessary to keep our company competitive with other manufacturers in our industry. And I must have these variables available at all times in order to maintain my work force of 170 employees, approximately 120 of whom are physically impaired with multiple physical as well as mental disabilities.

Unfortunately, the professional rehabilitationists in clinics, hospitals, vocational training centers, and workshops have not analyzed their programs in a like manner. Perhaps you are saying, "How can he compare the operations of a business to a social agency?" Let me answer this question. It is all well and good to tell the businessman to "Hire the Handicapped," just as national companies advertise their products on TV and radio. However, the big companies would not be where they are today if 97% of the people who heard the commercials sat back and murmured: "That's a good idea, must try one of those sometime."

Results are measured by sales volume, and there is no sale until the individual product is purchased by the consumer.

The Major Objective

Our work with the handicapped corresponds to this insofar as we have one major objective for our pro-

¹ According to the Small Business Administration, about 95% of all businesses in the United States are small. In manufacturing, firms employing 250 persons or less are considered small, and firms employing 1,000 or more are considered large. Those in between are judged large or small depending on the type of business. In the wholesale, retail, and service industries, size is determined by dollar volume.

² "Utilizing Handicapped Workers in Small Business," panel discussion at the annual meeting of the President's Committee on Employment of the Physically Handicapped, May 5 and 6, 1960, Washington, D. C.

³ Aware of the lack of specialized personnel staff services in many small companies, the Small Business Administration offers its counseling services to aid companies in developing personnel programs to place and effectively utilize handicapped persons.

gram: *job placement*. Placement, in my mind, has not had the correct emphasis.

Our product is the physically handicapped worker. Our ultimate customer is the businessman. A sale is made with every placement; and only then does our program become meaningful. Good will alone is not enough.

I recommend that we go back to the rehabilitation clinics, public and private, to the supporting vocational rehabilitation workshops, and to other groups and urge them to bring the small businessman into this program. The President's Committee on Employment of the Physically Handicapped has done an exceptional job in bringing in large manufacturing firms. But a potential group of "customers," making up 97% of the business firms of the country employ less than fifty people. It is to this group that we must now channel our efforts if we are to realize the increased placements that are required to meet the growing problem. There is a saturation point with large companies, and only if we can reach the other 97% of employers can we hope to make any strides toward bringing into better balance the annual figures of physically impaired people as against the number of these people placed in jobs.

Need to Interest Small Businessman

At present, we are following a policy no prudent businessman would follow: that is, we are not cultivating the largest group of employers, the small businessman, which make up our potential customers or markets. And we are undoubtedly losing sales—that is, placements.

My recommendation is that we analyze the various bodies of advisors and board members now active in our work, and add to these the small successful businessman. He is well disposed toward assisting in this program. We have had tremendous amounts of free advertising—radio, television, newspapers. And as far as big business is concerned, a good job has been done by the President's committee, and the state committees, as well as local organizations. But we must now concentrate on changing our target.

I speak not as one who is talking academically but as one who started a business six years ago with three employees and embarked on a program of using the talents of the physically impaired. My success has been to a large measure the result of *their* output, *their* loyalty, *their* determination to do a job, and *their* willingness to accept the responsibility of employment.

A New Approach

But we must understand that if we are to have a program designed to sell the small employer the value of hiring the handicapped, we must change our whole philosophy of placement. We are no longer

Setting Company Policy

Company policy regarding employment of physically handicapped persons must be set at a high level in the organization. But to insure the success of an employ-the-handicapped program, a company must make known and promote this policy among all of its employees. With their participation, the program's success is practically assured.

Carl Strahle, Secretary and Treasurer
Steiner and Company
Milford, Delaware

dealing with a personnel department staffed with psychologists, physicians, and college-trained placement counselors. The small businessman does not have such a staff at his disposal. Therefore, our placement agencies must fulfill these counseling functions, such as a more complete evaluation of the job opportunity and a better analysis of the person the agency is attempting to place. Agencies must know what jobs are available and accept the responsibility of the placement suggested to small industry.

We also need to concentrate more on working with the job applicant, so that he is ready mentally as well as physically to accept employment. Remember that the small businessman is a busy beaver, normally handling multiple facets of his own operation. He cannot afford an unsatisfactory worker. Thus only by good initial placements can we gain his confidence. But one successful placement will enable us to place a second, third, and fourth. And then we can bring this small employer into the fold and ask him to go out to sell the idea to others in small business.

The Agencies' Proper Role

We must look at another problem. It seems to me that some private charitable agencies are busy raising funds primarily to pay fund raisers. I know of one private agency that obtains approximately \$75,000 a year for a vocational rehabilitation workshop. And, to my knowledge, this workshop has not placed any of its clientele in industry in the past three or four years. Instead, this ill-kempt operation continues in a dreary fashion, with little or no effort made to rejuvenate its program or mesh it into present-day modes of operation in industry. This is an archaic type of rehabilitation, with no thought given to training people in a line that would enable them to move into industry, where they could complete their rehabilitation.

Such programs are giving less and less real service to either the handicapped or the community. Also, I find more and more meetings that ultimately end in sessions of preaching to the converted.

It is to organizations of this type that I make the suggestion that they open their advisory councils to businessmen who will work at the project of employment of the physically impaired. Businessmen are apt to know the job requirements of industry in the area, and therefore are in a position to suggest what new methods and operations need to be introduced in the workshops to properly train physically impaired people for the move from a sheltered type of environment into industry.

We are most fortunate that the Office of Vocational Rehabilitation in Washington allocates vast sums of money in research projects to many of our workshops and placement agencies throughout the country. But I believe we give too much importance to psychological programs as against down-to-earth plans for more job training that will result in placements in industry at a working wage commensurate with the requirements of the job.

As a representative of the business world, let me say: Let's go knocking on every door. Let us bring the small businessman into our councils, acquaint him with what we are selling, and let him sample the quality of the product. If we do this, our sales will climb, until one day we will reach our objective—the dignity and independence of a productive job at a living wage for every employable handicapped person.

Supervision

Leo Weisfield, President
Weisfield's Jewelers
Seattle, Washington

ACCORDING to the dictionary, supervision means that the supervisor is supposed to "oversee for direction," "to superintend," "to inspect with authority," "to critically evaluate."

It is true that a supervisor must do those things but I think there is much more to supervision than the dictionary definition mentions, especially when the handicapped are involved.

The emphasis on authority, as indicated by the definition, implies a punitive rather than a constructive attitude.

I know of people in supervisory positions who have the illusion that they are some kind of god; they seem to live in a psychological stratum "up on the hill" from whence they look down upon their fellow workers. These men believe that essentially their job consists of telling the "underdog" to "hit the ball or turn in your tools."

To me, supervision means many things; and the word responsibility keeps coming into my mind. The

Merchandising Business and the Handicapped

Referring to his own merchandising business as a source of employment for physically handicapped individuals, Mr. Weisfield said: "The merchandising business is not among the so-called heavy industries, and it has a peculiar fitness for employment of the handicapped. The jobs in both wholesale and retail establishments make few exacting physical demands, except in the definitely laboring occupations, which are not too numerous. Walking and standing are about the only two physical requirements the handicapped might generally encounter."

best environment is one of mutual trust and cooperation, friendship, teamwork, and the intangible rewards that come from happy relationships. If management, either in a large or small company, expects cooperation, success, and harmony, it must recognize that one cannot always receive and never give. It must recognize that cooperation is not a one-way street. To gain the employees' full cooperation, management must prove on a day-in-day-out basis its good intentions toward its employees.

Good supervision brings this about. The good supervisor knows that he is working most efficiently when he deals fairly and even kindly with the people whom he supervises, when he has an interest in them and their problems, and a high regard for them as individuals. He should be their friend, their instructor, their leader—not by authority but by voluntary consent, because of their dependence on him. They will respect him because of the good example he sets and his unquestionable ability as a supervisor.

That is what real supervision means to me. And this is by way of preamble to supervision of the handicapped, which, I believe, is little different from supervision of any worker, except that some phases of a supervisor's concern require special emphasis when he deals with his handicapped subordinates.

Supervision in Small Business

In the small business it is possible for supervision to reach its highest point of perfection because the smaller number of employees makes it possible for a supervisor to have a less formal and closer relationship with those he supervises.

Thus, if the supervisor takes advantage of all the possibilities of his job in the small company, this can make for an ideal situation and better cooperation at all levels within the company.

I think supervision of the handicapped is properly accomplished only under the type of relationship I have described and is best performed in the small business for the reasons I have indicated.

The only real difference between supervision of the

handicapped and supervision of the nonhandicapped is one of emphasis and degree, as I have already suggested. Any supervisor who deals with handicapped workers must have an intelligent understanding of the selective placement process and he must accept ability as the prime consideration in employing anyone. Since optimum production is what he is after, he must help his coworkers achieve that. In the case of the handicapped employee, this means that the supervisor should attempt to help him resolve any problems that are preventing him from working on a basis of equality with his nonhandicapped fellows. He should do this because he sincerely believes that it is his responsibility to help all those he supervises to do their very best. He should have no reason to doubt that "it is good business to employ the handicapped." He should know that this is true because he sees it demonstrated in the work situation every day.

He should recognize he is a part of the rehabilitation team, in fact probably its most important member, because unless he and others like him can help to demonstrate that it is good business to employ the handicapped, what point is there in rehabilitation at all?

We should always remember that suitable employment is the "end point" of rehabilitation.

Promotion and Transfer

Chester A. Troy, President
Troy's Inc.
Cockeysville, Maryland

A HANDICAPPED PERSON who has demonstrated his ability to perform his job in a satisfactory manner should be entitled to the same considerations for transfer to another department, or promotion to a higher job classification, as a nonhandicapped employee of that company. We must not assume that the employer's responsibility in respect to handicapped workers is any different from his responsibility toward the rest of his work force. Just offering employment to a handicapped person is not enough, provided that person is capable of advancing in the company. If on-the-job training is part of company policy, the handicapped employee should be a part of that program if his physical limitation does not prevent it.

Job rotation, where feasible, is an excellent way to discover potential qualifications for promotion or transfer of workers and may prove particularly effective with respect to handicapped persons. The hidden talents of many are discovered through this method, and the value of the employee may be increased many times.

Special Care May Be Needed

Of course, whenever a handicapped worker is transferred, it is important to match the physical demands of the job to the physical capacities of the worker—just as it is important to consider these factors when hiring a new worker who has a handicap. It is the responsibility of the employer to evaluate the handicapped employee carefully before recommending his transfer. But it goes without saying that no handicapped employee should be held back from promotion if he is capable of performing the better job.

However, the handicapped worker may need a longer trial period on a job because of the additional adjustments he may have to make. And a change in job may have a greater psychological effect on the handicapped employee than it has on his nondisabled coworker.

Because of the greater effort he may have had to expend originally in learning to do a job well, his confidence lies in his ability to perform satisfactorily. Thus, if a transfer is suggested, even though the transfer means a promotion, it may make him feel insecure. More time may be needed to explain the transfer to the handicapped person to allay these fears. Then, as he progresses on the new job, he will regain his confidence and derive much pleasure from his added responsibility. Therefore, the conscientious employer recognizes that the extra time that may be required to prepare the handicapped worker for a new job is worthwhile.

Neglecting Rich Source of Assets

Good personnel, as any businessman knows, is one key to success and profits. This is particularly true of small business concerns. Yet the majority of small business owners and managers neglect a rich source of employees who would be valuable assets to their firms. There are three groups of "forgotten workers" who face resistance and rejection, despite their proven capabilities, good work records, fine skills, and experience. I am speaking of older workers, the handicapped, and members of minority groups.

The handicapped employees represent a vast reservoir of valuable manpower; about one out of ten working adults is a handicapped person.

For the small businessman, the significant factor is that these handicapped men and women have the same wide range of skills, abilities, and interests as do their nonhandicapped fellow citizens. Because of their physical disabilities, however, they face an uphill fight to even be considered for jobs. The success or failure of your employment policy on hiring the handicapped will depend largely on your own attitude toward the disabled.

We are grateful to the many employers, unions, and organizations that have found gainful employment for the handicapped. We firmly believe that they should

go one step further and encourage the transfer to better departments and promotion to better jobs for those who have demonstrated through work performance that they are ready to assume additional responsibilities. I know that this policy is followed by many employers but many others seem to feel that a menial job for the handicapped worker is enough.

Small Business Needs the Facts

We are pleased that big business has taken the initiative in hiring impaired workers. We hope that small business will follow their leadership. By "small" we are referring to businesses that employ ten, thirty, fifty or up to a hundred people. Since small businesses are most often located in small communities it is important for the people of our small communities to know the real value of handicapped workers. The small employers must have the facts if they are to be convinced that handicapped employees are good employees.

In this country, much that we accomplish is done

on a voluntary basis. Our employers are not forced to hire handicapped workers or to maintain a certain percentage of them in their work force. We believe that handicapped Americans do not want special legislation on their behalf; what they want is the opportunity to compete on an equal basis with able-bodied workers.

Don't hire the handicapped worker if he cannot do the job, but do hire him if he can. Once hired, he will prove to you and himself that he works as well as his fellow employees, and he will respect you for insisting that his disability does not matter one way or the other.

Although we have made great progress in our attitude toward the handicapped, there is much more to be done. We need better acceptance of handicapped workers by supervisors, foremen, and fellow workers. We want to treat the disabled as fellow workers. They must be afforded the opportunity to work and advance in their jobs to the full extent of their capabilities.

Management Bookshelf

The Corporation in Modern Society—During the past forty years the corporation has changed from a "personal expression" to a public "institution," says A. A. Berle, Jr. in the critical foreword to this book; and it is as a major voyage of exploration around the boundaries and into the interior of this new institution that this many-sided symposium views itself.

Since most corporations are no longer managed by the men who own them, many authors have contended that private property rights can no longer be used as a basis for the power which top managers wield. How then is such power to be made legitimate? How or why should managerial discretion be limited? How are managers themselves chosen?

From these basic questions, the essays move on to examine the corporation in relation to its work force, the local community, the government and United States foreign policy. Also included are essays on British and Soviet practice. These are only a few of the topics covered by thirteen professors and one former Member of Parliament.

In one sense this is the latest installment in the debate over the alleged growth of corporate power and irresponsibility begun by A. A. Berle, Jr., and Gardner C. Means in their book "The Modern Corporation and Private Property" (1932). As such, the editor comments, the essays tend to contradict the Berle-Means assumptions. Neither the rates of corporate concentration nor self-financing have risen, the authors maintain; the corporation has come no nearer to being an "irresponsible subsovereignty" than it was twenty-eight years ago. *Edited with an introduction by Edward S. Mason, Harvard University Press, Cambridge, Massachusetts, 1960, 335 pp., \$6.75.*

Operator Training in Industry—This is a broadsheet published by the Institute of Personnel Management, London, England. It offers an outline of some recent developments in the techniques of training, based on wartime experience in the services and munition factories and, more recently, on investigations into industrial skills and their acquisition in a number of universities and research institutions. The emphasis is on the training of unskilled and semiskilled operators in manufacturing industries, i.e., those in occupations for which time-served apprenticeships are not required. Types of work are grouped into the following categories: hand work, hand work with tools, single-purpose machine work, multipurpose machine work, group machine work, and nonrepetitive work. *By W. Douglas Seymour, The Institute of Personnel Management, London, England, 1959, 52 pp., 7s. 6d.*

Writing in Industry—This work is the first volume of selected papers from the proceedings of the Conference on Writing and Publication in Industry, which was held at the Polytechnic Institute of Brooklyn in January, 1959. Citing the gap between the vast amount of scientific knowledge and its effective dissemination, the book attempts to improve the communications skills of the scientist-specialist. It thus hopes to "shorten the distance between the laboratory and the drawing board and thence to the production line."

Topics include: the relationship of engineering and technical writing; editorial problems of an engineer-supervisor; techniques of proposal writing; and the journalistic aspects of science writing. *Edited by Siegfried Mandel, Polytechnic Press, New York, New York, 1959, 121 pp., \$2.75.*

Significant Labor Statistics

Item	Unit	1960					1959		Year Ago	Percentage Change	
		May	Apr.	Mar.	Feb.	Jan.	Dec.	Nov.		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Index (BLS)											
All Items.....	1947-1949 = 100	126.3	126.2	125.7	125.6	125.4	125.5	125.6	124.0	+0.1	+1.9
Food.....	1947-1949 = 100	119.7	119.5	117.7	117.4	117.6	117.8	117.9	117.7	+0.2	+1.7
Housing.....	1947-1949 = 100	131.2	131.4	131.3	131.2	130.7	130.4	130.4	128.8	-0.2	+1.9
Apparel.....	1947-1949 = 100	108.9	108.9	108.8	108.4	107.9	109.2	109.4	107.3	0	+1.5
Transportation.....	1947-1949 = 100	145.6	146.1	146.5	147.5	148.1	148.7	149.0	145.4	-0.3	+0.1
Medical care.....	1947-1949 = 100	155.9	155.5	155.0	154.7	153.5	153.2	153.0	150.2	+0.3	+3.8
Personal care.....	1947-1949 = 100	133.2	132.9	132.7	132.6	132.7	132.9	132.7	130.7	+0.2	+1.9
Reading and recreation.....	1947-1949 = 100	121.4	121.1	120.9	120.6	120.3	120.4	120.0	117.8	+0.2	+3.1
Other goods and services.....	1947-1949 = 100	131.9	131.9	131.7	131.8	131.8	131.7	131.6	128.4	0	+2.7
Employment Status (Census)											
Civilian labor force.....	thousands	70,667	69,819	68,473	68,449	68,168	69,276	69,310	69,405	+1.2	+1.8
Employed.....	thousands	67,208	66,159	64,267	64,520	64,020	65,699	65,640	66,016	+1.6	+1.8
Agriculture.....	thousands	5,837	5,393	4,565	4,619	4,611	4,811	5,601	6,408	+8.2	-8.9
Nonagricultural industries.....	thousands	61,371	60,765	59,702	59,901	59,409	60,888	60,040	59,608	+1.0	+3.0
Unemployed.....	thousands	3,459	3,660	4,206	3,931	4,149	3,577	3,670	3,389	-5.5	+2.1
Wage Earners (BLS)											
Employees in nonagricultural establishments, total.....	thousands	p 53,135	r 53,056	r 52,398	52,284	52,302	53,989	53,021	n.a.	+0.1	n.a.
Employees in nonagricultural establishments, without Alaska & Hawaii ¹	thousands	p 52,896	r 52,824	r 52,172	52,060	52,078	53,756	52,793	51,982	+0.1	+1.8
Manufacturing.....	thousands	p 16,329	r 16,375	16,478	16,520	16,470	16,484	16,280	16,187	-0.3	+0.9
Mining.....	thousands	p 676	r 676	666	669	658	668	660	701	0	-3.6
Construction.....	thousands	p 2,833	r 2,597	2,312	2,389	2,453	2,699	2,856	2,834	+9.1	A
Transportation and public utilities.....	thousands	p 3,927	r 3,921	3,900	3,887	3,882	3,940	3,912	3,914	+0.2	+0.3
Trade.....	thousands	p 11,517	r 11,608	r 11,325	11,329	11,424	12,345	11,723	11,234	-0.8	+2.5
Finance.....	thousands	p 2,466	r 2,464	2,444	2,439	2,429	2,438	2,438	2,413	+0.1	+2.2
Service.....	thousands	p 6,711	r 6,640	r 6,511	6,484	6,474	6,547	6,593	6,583	+1.1	+1.9
Government.....	thousands	p 8,437	r 8,543	r 8,536	8,343	8,288	8,635	8,331	8,116	-1.2	+4.0
Production and related workers in mfg. employment.....	thousands	p 12,282	r 12,330	r 12,435	12,494	12,449	12,466	12,274	12,299	-0.4	-0.1
All manufacturing.....	thousands	p 7,061	r 7,114	r 7,205	7,268	7,230	7,173	6,922	7,139	-0.7	-1.1
Durable.....	thousands	p 5,221	5,216	r 5,230	5,226	5,219	5,293	5,352	5,160	-0.1	+1.2
Nondurable.....	thousands	p 1,840	r 1,898	r 1,905	1,942	1,920	1,883	1,570	1,979	+0.6	-2.3
Average weekly hours.....	number	p 39.8	39.4	39.7	39.8	40.3	40.5	39.9	40.5	+1.0	-1.7
All manufacturing.....	number	p 40.2	r 39.9	40.3	40.4	41.0	41.1	40.1	41.1	+0.8	-2.2
Durable.....	number	p 39.3	r 38.6	38.8	39.0	39.4	39.8	39.6	39.7	+1.8	-1.0
Nondurable.....	number	p 39.3	r 38.6	38.8	39.0	39.4	39.8	39.6	39.7	+1.8	-1.0
Average hourly earnings.....	dollars	p 2.28	2.28	2.29	2.29	2.29	2.27	2.23	2.23	0	+2.2
All manufacturing.....	dollars	p 2.44	2.44	2.45	2.45	2.46	2.43	2.38	2.40	0	+1.7
Durable.....	dollars	p 2.07	2.06	2.06	2.05	2.05	2.04	2.03	2.00	+0.5	+3.5
Nondurable.....	dollars	p 2.07	2.06	2.06	2.05	2.05	2.04	2.03	2.00	+0.5	+3.5
Average weekly earnings.....	dollars	p 90.74	89.83	90.91	91.14	92.29	91.94	88.98	90.32	+1.0	+0.5
All manufacturing.....	dollars	p 98.09	r 97.36	98.74	98.98	100.86	99.87	95.44	98.64	+0.7	-0.6
Durable.....	dollars	p 81.35	r 79.52	79.93	79.95	80.77	81.19	80.39	79.40	+2.3	+2.5
Nondurable.....	dollars	p 81.35	r 79.52	79.93	79.95	80.77	81.19	80.39	79.40	+2.3	+2.5
Straight time hourly earnings (estimated).....	dollars	p 2.22	2.23	2.24	2.23	2.22	2.20	2.17	2.16	-0.4	+2.8
All manufacturing.....	dollars	p 2.37	r 2.38	2.38	2.37	2.37	2.34	2.31	2.31	-0.4	+2.6
Durable.....	dollars	p 2.02	2.01	2.02	2.01	2.00	1.99	1.98	1.95	+0.5	+3.6
Nondurable.....	dollars	p 2.02	2.01	2.02	2.01	2.00	1.99	1.98	1.95	+0.5	+3.6
Turnover Rates in Manufacturing (BLS)											
Separations.....	per 100 employees	p 3.3	r 3.6	3.7	3.0	2.9	3.1	4.1	2.9	-8.3	+13.8
Quits.....	per 100 employees	p 1.1	1.1	1.0	1.0	1.0	0.9	1.0	1.3	0	-15.4
Layoffs.....	per 100 employees	p 1.6	2.0	2.2	1.5	1.3	1.7	2.6	1.1	-20.0	+45.5
Accessions.....	per 100 employees	p 3.1	r 2.8	2.7	2.9	3.6	3.8	3.0	3.6	+10.7	-13.9

PERSONNEL PRACTICES

Some Like It Hot

An American shipping company, at the request of the National Maritime Union, recently installed air conditioning in the crew's quarters of its new passenger ships that ply tropical waters. Both management and union officials felt that crew members would unanimously welcome the chance to get a cool and restful night's sleep after a day's work under the hot equatorial sun. But they were wrong. An irate seaman, returning from a trip on one of the new air-conditioned ships, complains in a letter to the *NMU Pilot*:

"You get on one of these ships and you find your roommate either does not like or pretends he doesn't like air conditioning. He puts it down as low as he can and keeps the door open, thus making the air conditioning ineffective."

He suggests, as a remedy, that such crew members be transferred to older ships and that their berths on the new ships be assigned to men who want the comforts of air conditioning. "Then," he concludes, "everyone will be happy and the men who like it hot can sweat their heads off to their heart's content."

Special Awards for Outstanding Achievements

To encourage its employees to make outstanding contributions to the successful conduct of its business, the Merck Company of Rahway, New Jersey has set up a special award plan that covers cases where adequate recognition cannot be provided through the suggestion system, merit increases, promotions, and other such means.

Under the plan, two types of special awards are granted: (1) management awards, which are paid in cash in amounts up to \$1,000 and (2) directors awards, which are paid either in cash in amounts over \$1,000 or in some other form, such as through the establishment in the employee's name of a fellowship or scholarship in an educational institution. These awards are granted for conspicuous service of any nature—for example, when an employee comes up with an unusually ingenious solution to a technical or business problem, or when he accomplishes something of a character beyond what might be expected of one in his position.

All company employees, except directors and offi-

cers other than assistant secretaries and assistant treasurers, are eligible for both types of awards.

The magnitude of the contribution determines the type of the award. Award recommendations may originate from any source within the company. They go through established channels to the management council (made up of top company executives) which considers them and then passes them on, with its recommendations, to the president or the executive vice-president. If this officer decides that the award should be a management award, no further approval is required. If he decides to recommend a directors award, he submits his recommendation to the secretary of the executive compensation committee of the board of directors. If that committee approves it, the proposed award is then acted upon by the board of directors.

Voting Time Law Revised

New York State's time-off-to-vote law was changed this year. In the past, it entitled employees on Election Day to two hours off without loss of pay, whether they needed the extra time to get to the polls or not (see *Studies in Personnel Policy*, No. 156, p. 37). Starting with the first of January, 1961, a New York employer will be obliged to give his employees paid time off to vote only when their work day does not leave them free for at least four consecutive hours during which the polls are open. Polling hours in the state run from 6 a.m. to 9 p.m. on Election Day. This means that employees working from nine to five will no longer be entitled to paid time off to vote, because a consecutive stretch of four hours will intervene between their regular quitting time and the closing of the polls.

The same voting-time provision, incidentally, had previously been enacted in the State of California.

Humanity at Work

The birthday of Queen Elizabeth II is a holiday in Australia. This year, however, a brick kiln in a Sydney suburb stayed open for the day. Business went on as usual—but for an unusual purpose. An Italian immigrant employed at the kiln had been killed in an accident a short time before. His former workmates, learning that he left a wife and two small children penniless with a \$2,025 mortgage on their home, offered

to work the holiday and make their wages payable to the dead man's family. The company owning the kiln not only approved this arrangement but also volunteered to donate its entire day's profits. What's more, the brick carters agreed to add their cartage fees to the cause, while the clay suppliers contributed a day's free labor.

This wholehearted generosity was of great help to the immigrant's family. His widow was given a check that left her with a balance of \$171 after she had paid off the mortgage on her home.

About that Coffee Break—or "Tachyphylaxis"

With one eye on the clock, Joe Smith gulps down the last of his coffee, plunks a kiss on his wife's cheek, and races to make the 8:15. At ten, Joe looks up from the pile of papers on his desk, glances at his watch, and frowns. It's time for the coffee wagon; where is that darn girl?

What Joe doesn't know is that if he gets his coffee now, he won't get the real "lift" he's looking for—at least so say two scientists at the University of Michigan Medical Center. "Tachyphylaxis," as the scientists call it, refers to the blocking effect of caffeine—that is, the amount of the drug in one cup of coffee partially blocks the effects of a second cup for about three hours. Thus, additional coffee drunk during this time will not raise the level of stimulation as much as the first cup. Caffeine acts quickly, the researchers say, reaching its maximum stimulation in about twenty minutes; this general level of stimulation continues for about two and a half hours; and then the effect quickly ends.

But there's Joe at his desk, still glaring, even though it's not three hours since his last cup. Well, admittedly, the researchers say, there are large individual variations in the "coffee tipping time table." Furthermore these scientists have not tried to measure the social effects of the coffee break. They are concerned only with neuro- and psycho-pharmacology, not social habits.

Blind Person Handles Telephone Calls

The West Coast Telephone Company of Everett, Washington is experimenting with the hiring of blind persons as direct distance dialing operators. So far, the experiment has been more successful than the company training personnel had anticipated.

Under the company's direct distance dialing (DDD) system, the operator works from a beep-beep tone rather than from a visual signal, but a visual signal also is used for part of the operation. To make the experiment possible, company engineers developed equipment which would emit a "click," to let the blind operator know when the visual signal operated.

To initiate the experiment, the wife of one of the

company's executives, who is blind herself, offered to be the test student. According to the traffic superintendent, the volunteer trainee required only a brief training session before she was successfully handling calls. Testers gave her wrong prefixes, coin-box numbers, and other difficult situations to handle, but she detected the problems at once. Handling commercial traffic proved even less difficult. Under actual working conditions, she was only one second slower than experienced operators.

As a result of the experiment, the company has hired and trained a sightless woman operator who is now working regularly, on a part-time basis, in the company's traffic office at Everett. If this operator's progress proves successful, the company plans to train other similarly handicapped persons.

Law May Require Four Weeks' Vacation

A Swedish law, dating back to 1953, entitles employees to a day and a half off with pay for each month in which they work at least sixteen days. In a year's time, this adds up to three weeks of paid vacation.

An effort is now being made, however, to lengthen the legally required annual vacation to four weeks. "A four-week holiday," Prime Minister Tage Erlander declared at the closing session of the recent Social Democratic Party Congress, "should be achieved over the next four years if the Social Democrats remain in power after this autumn's elections."

A Measure of Security

In the printing trade, a ruler is put to constant use as a type measure. This inspired the J. W. Clement Company, a printing manufacturer of Buffalo, New York, to make it serve a second useful purpose. All Clement employees are given a durable white plastic printer's ruler that not only enables them to measure type, but also calls their attention to the protection and benefits they enjoy under the company's retirement plan.

In between measures of inches and picas, on the front side of the rule, the employees find this reminder: "J. W. Clement Co. Retirement Plan—a Measure of Future Financial Security." On the rule's reverse side are eight- and ten-point type measures and the following advice: "When measuring your earnings, remember . . . your retirement plan offers you current family protection plus future personal income without cost to you."

The holder in which the employees receive the printer's rule contains this further advice: "Take the time now to review your personal benefits. Should you have any questions, please contact the personnel department. Information concerning your specific benefits will remain confidential."

Labor Fights Proposed Curb on Bargaining

TOP LABOR UNION officials have sharply criticized an amendment to three federal labor laws proposed by Senator Everett Dirksen, Republican from Illinois. The twin purposes of this amendment are to free employers from the obligation to bargain on the issue of "creation and discontinuance of positions" and to allow them to seek injunctions when strikes are threatened over this issue.

Senator Dirksen's bill, says *Labor*, the railroad unions' weekly, is designed to nullify a recent Supreme Court interpretation of the Norris-LaGuardia Act. In a five-to-four decision, the nation's top court refused to grant the Chicago and North Western Railway an injunction to prohibit a strike by the Brotherhood of Railroad Telegraphers protesting abolition of certain jobs.

The high court considered the union demand on "job security" as a "term and condition of employment" falling within the definition of a "labor dispute" in the Norris-LaGuardia Act. (Once the existence of a "labor dispute" has been established, a federal judge is precluded from issuing an injunction.) In reaching its decision, the Supreme Court disregarded the management position that the union demand was a "usurpation of management rights."

What Proposed Legislation Would Do

The proposed legislation would amend the Norris-LaGuardia Act to eliminate from the definition of a "labor dispute" any disagreement over "creation and discontinuance of positions." As a result, declares the labor newspaper, federal judges may grant injunctions to prevent strikes on the "job security issue." The bill would also amend the Railway Labor Act and the National Labor Relations Act to remove the employer's obligation to bargain collectively concerning "any term or condition" which would involve "the creation or discontinuance of positions."

"For parallels to the proposal," remarks Andrew Biemiller, legislative director of the AFL-CIO, "one must look . . . to totalitarian sources—Nazi Germany and Soviet Russia." George M. Harrison, president of the Railway Clerks International Association, argues that "to suggest that workers should have no voice in the creation or abolition of jobs is to give management a completely free hand. Collective bargaining would become a nullity under these circumstances."

Air Transport Unions Approve Constitution

The constitution of the new Association of Air Transport Unions¹ has been formally approved by the seven signatory unions. In addition to providing a striking member union with "all possible assistance," the new agreement states that no contract will be signed until after "full and immediate reinstatement of strikers and all other retaliatory action has been withdrawn" by the employer, emphasizes the *AFL-CIO News*.

IUE Renews War on UE

At its spring meeting in Boston, the executive board of the International Union of Electrical Workers, AFL-CIO, pledged itself to a "redoubling of efforts to bring about as quickly as possible the complete extinction of the United Electrical Workers."

In the same resolution, the IUE charged that the independent UE "displayed a cynical disregard for the welfare of electrical workers . . . by attempting to sow seeds of dissension in every large local of the two major electrical chains." To combat this action, the IUE has invited all UE members to join it in forming one union for the electrical, radio and machine industry.

One of the "seeds of dissension" referred to in the resolution was the unsuccessful campaign by the UE in March to dislodge the IUE as bargaining agent for the workers at the Lynn, Massachusetts plant of the General Electric Company. In that election, the IUE polled 3,444 votes to 3,175 votes for the UE.

In further executive board action, relates the *IUE-AFL-CIO News*, James Carey, president of the 400,000-member union, proposed giving the Lynn IUE local "a new start" by excusing its \$186,000 per capita debt to the international. This "unprecedented" action was unanimously approved by the executive board.

Union Bargaining Data Supplied Electronically

Data for collective bargaining may soon be made available to many union locals through the use of

¹For further information on this organization, see "Air Unions Fight Expanded Air Pact," *Management Record*, June 1960, page 22.

electronic computers, says an article appearing in the *The Typographical Journal*. The magazine envisions the preparation of wage comparison and merit increase studies for unions at a "nominal" cost through the operation of these machines.

Previously, because of the high cost of buying or renting these computers, stresses the monthly, unions did not have "easy access" to such studies. Now, with the opening of data-processing centers in cities throughout the United States, union locals can be supplied with such data more cheaply by paying only for the time during which they actually use the machine.

Already, continues the journal, one union, Local 418 of the International Union of Electrical Workers, AFL-CIO, has processed data on such a fee basis. This local now maintains a file of punched cards containing the age, the education, and the salary of all Arma engineering employees. Quarterly, all changes in salary and job grade are fed into the computer and the results may be used in collective bargaining sessions.

In addition, the machine assists the union in administering the merit increase clause in the contract by making a semiannual report on merit increases. This informs the local, emphasizes the article, whether the raises are being equitably awarded.

Grievances Settled by Ferry Service

Skippers of freight ships operating on the St. Clair River, between the upper and lower Great Lakes, are at times surprised when a twenty-six-foot motor launch pulls alongside, and a voice cries out for permission to board. This launch, powered by twin one-hundred-horsepower engines, carries the Seafarers' international representatives who are assigned to service the grievances of crew members on board ship.

By radio-telephone the SIU international representative contacts the vessel to inquire if it is possible to hold shipboard grievance meetings, as provided by the collective bargaining agreement. This procedure, says the *AFL-CIO News*, enables the crew to have their grievances heard without surrendering any part of their shore leave. Of course, the article continues, if the grievance cannot be settled aboard ship, it will be submitted to shore procedure, and then to arbitration.

A secondary function of the launch, points out the federation weekly, will be to play recorded union "sales" talks over its specially equipped public address system to unorganized vessels.

"Forced" Merger Backfires

At the insistence of AFL-CIO President George Meany, a New Jersey merger convention was to meet in an attempt to combine the state's AFL and CIO

bodies, says the *New Jersey Labor Herald*. The meeting collapsed when the CIO delegates failed to attend. Since the Pennsylvania AFL and CIO have recently merged, New Jersey is now the only state that has not combined the two labor federations.

Even if the delegates representing the 200,000 CIO members had arrived, Louis Marciante, president of the 300,000-member AFL body, indicates that the merger might not have taken place. The AFL executive board had already turned down a "last minute proposal by President Meany," states the *New Jersey Labor Herald*, that would have given two vice-presidential posts, each paying \$14,000 annually, to former CIO officials. The AFL executive board argued that any position in addition to that of president and secretary-treasurer, already slated to go to AFL officials, was "unnecessary."

There is nothing new, points out the *New Jersey Labor Herald*, in giving all the elected positions in a merged state federation to officers of one of the bodies. This occurred in Michigan, where the CIO is larger than the AFL. There, a merger convention, continues the article, also "forced" by President Meany, approved the election of CIO officials to all the merged posts.

When will New Jersey's rival groups finally merge? "We're right back where we were as of 1956," pessimistically notes Mr. Marciante, "Mr. Meany . . . notwithstanding." More optimistically, Joel Jacobson, the new state CIO president, declares: "Now that the atmosphere has been somewhat cleared, we are ready and willing to resume negotiations with the state AFL . . . anytime or place, in order to achieve a united labor movement in New Jersey, predicated upon an equitable basis."

IMWU Signs First Contract

The International Maritime Workers Union announced recently that it had signed one of its first collective bargaining agreements.¹ The new bargaining unit, according to the *Seafarers Log*, official publication of the Seafarers' International Union, AFL-CIO, is composed of the Italian crew of the Ingres Line's SS Nassau which operates passenger cruises between New York and the Caribbean. The ship, alleges the union, is registered under the Liberian flag and makes one trip a year to Italy to recruit its crew.

Negotiation of the contract, continues the union newspaper, followed a successful organizing campaign among these Italian seamen, whose monthly pay averaged from \$55 to \$95. Once unionized, the crew

¹ The International Maritime Workers Union was formed in the latter part of 1959 to organize, its constitution says, some 70,000 "seamen employed aboard vessels whose ultimate ownership or control has no substantial connection with the country of registry." For further details, see "Birth of International Maritime Workers Union Noted," *Management Record*, January 1960, page 23.

walked off the ship and remained on strike until they obtained a union contract which provided the following:

- A 20% pay increase retroactive to January 1, 1960.
- An overtime pay rate of 75 cents an hour.
- A \$10 per month bonus for deck and engine men to compensate for the lack of tips.
- Partial assumption of deductions paid to the Italian Government insurance system (similar to our own Social Security).

OCAW Expend \$365,000 to Support Strike

How much does a strike cost a union? An article appearing in the Oil, Chemical and Atomic Workers' journal, *Union News*, gives at least a partial answer to this question. The newspaper reports that during

the recently concluded eight-month strike at Standard Oil of Indiana's Sugar Creek refinery, some 600 workers received about \$365,800 in benefits.

The assistance, which came from the Oil, Chemical and Atomic Workers International Union and its affiliated locals, was made available to the strikers even though they had been members of the union for only three months preceding the strike. During these three months, reports the union semimonthly, per capita payments from these workers totaled slightly less than \$4,000.

Although the strikers returned to work without a contract, their local expressed its gratitude for the international's aid and voiced the hope that it might "grow strong and, in turn, help other locals in future conflicts."

JOHN J. MCKEW

Division of Personnel Administration

Management Bookshelf

The Thief in the White Collar—White-collar crime includes not only embezzlement of cash, but stealing of merchandise, theft of company secrets, fraud to maintain job or community status, sabotage with or without financial gain, padded expense accounts, falsification of time cards and production records, and manipulating inventories to conceal stock shrinkage. The essential difference between white-collar crime and burglary is that white-collar crime is invariably concerned with a violation of trust. This violation of trust raises serious moral issues and may adversely affect our social institutions. Many a company, the author points out, has foundered in financial difficulties because of employee dishonesty, indifference, and disloyalty.

The author says that, in 1959, white-collar employees in the United States stole outright more than a billion dollars. An estimated \$5 billion more changed hands in kickbacks, payoffs, and bribes. Through an analysis of specific cases, the author pinpoints the motives and methods of the white-collar thief. He also defines the types of offenders: the honest crook, the altruistic crook, the insecure executive, the outcast, the kickback artist, the gambler, the complete rascal, and the union swindler. He gives advice on how to spot and deal with offenders. *By Norman Jaspán with Hillel Black, J. B. Lippincott Company, Philadelphia, Pennsylvania, 1960, 254 pp., \$4.95.*

A Moral Philosophy for Management—Fifty years ago business was generally thought of purely as an economic enterprise. But as the role of the corporation became increasingly important in the life of the community, management practices were evaluated more and more directly in terms of moral values. This is the central thesis of this book.

The author, who is Kirstein professor of labor relations of Harvard's Graduate School of Business Administration, points out that "in matters of character and morality, one

cannot be cynical and moral at the same time." Drawing an illustration from his own field, he argues that executives who succumb to "practical deals" (such as a back-room arrangement with a corrupt labor leader to buy a temporary truce) quickly lose their influence with employees, stockholders, and the public in general. *By Benjamin M. Selekmán, McGraw-Hill Book Co., New York, New York, 1959, 219 pp., \$6.*

The Health of People Who Work—Major findings of the 1959 national health forum on occupational health are presented in this book. The findings represent viewpoints of leaders in industry, labor, government, and the professional fields. Chapter headings include: "The Goals of Occupational Health Programs;" "The Special Problems of the Smaller Plant;" "The Control of the Working Environment;" "The Placement of Workers in Relation to Their Physical and Mental Capacities;" "The Role of Occupational Health Programs with Respect to the Emotional Problems of Workers;" and "Occupational Medicine's Relation to Health Insurance and Other Fringe Benefit Programs." *Edited by Albert Q. Maisel, The National Health Council, New York, New York, 1960, 268 pp., \$4.50.*

Organization of Work: A Comparative Analysis of Production among Nonindustrial Peoples—This book has been published as a first step in research into possibilities and policies for economic development of nonindustrial areas. The author uses sociological methods to compare organization in peasant, collecting, hunting and fishing, and highly industrialized societies. Source material was drawn from anthropological studies in the Human Relations Area Files in New Haven, Connecticut. *By Stanley H. Udy, Human Relations Area Files Press, New Haven, Connecticut, 1959, 182 pp., \$3.95.*

Personnel Administration

(Continued from page 6)

upon the experience of any staff man when he is appraised by the people throughout the organization. Whether justified or not, the typical line executive will have greater respect for the judgment of the man who has been 'through the mill.'

"The best qualified personnel heads are those with solid background in administrative responsibilities under the pressure of 'firing line' performance. Any well-qualified young man interested in the personnel field should first establish himself in the mainstream of whatever business he may choose."

Mr. Lustenberger, himself, has had the combination of line and personnel experience that he thinks is advantageous. Equipped with a B. S. degree from the Carnegie Institute of Technology, he was first a salesman at the White Motor Company and then at the American Rolling Mill. That, however, was for only a total of three years. He has been in the department store field ever since.

First he was an assistant in the standards department at the W. T. Grant Company in New York; from there he went to Montgomery Ward & Company in Chicago as assistant in the operating department in what was known as a "junior executive" capacity. He had a burning desire to transfer to the field or store-management end of the business, and a move of this nature had been arranged. And then the company's general personnel manager unexpectedly died. Mr. Lustenberger was asked to take the assignment.

He served in personnel work for five years with Montgomery Ward, toward the end of which time he became a vice-president and member of the board of directors. He then returned to W. T. Grant as vice-president and assistant to the president. Within a year he was asked, while retaining this title, to become director of personnel as well. After heading the personnel function for seven years, he was called back into the line, as executive vice-president. The next step was executive vice-president and general manager, and last year he became president.

"In general," Mr. Lustenberger comments, "the importance of personnel work has been on the rise for many years. At the same time, it must be recognized that there remains wide divergency in policy and practice from one company to another. This results not only from differing management attitudes but also from the fact that personnel work is essentially staff in nature, and thus its importance in any company is to a large degree determined by the qualifications and abilities of the personnel head. This is in contrast to the typical line position where the importance of the

job is determined primarily by the responsibilities which it entails, rather than by the qualifications of the man in charge."

In other words, Mr. Lustenberger believes that the job of personnel administrator is largely what the incumbent makes it. Those who at present are directly in charge of personnel administration at W. T. Grant, like Mr. Lustenberger, were drawn from the line. The personnel head is a senior officer reporting directly to the president, with the title of vice-president. He was selected for the position after years of successful performance as both store and district manager. The assistant director of personnel, too, is a man who has had extensive field experience.

C. V. Martin
Carson Pirie Scott & Company

Carson Pirie Scott & Company in Chicago is another large department store organization that has selected for president a man with personnel administration experience. C. V. Martin headed the personnel function for about ten years, all told, in two companies.

"My interest in personnel administration," Mr. Martin says in reviewing his route to the top position, "began to jell when I was an undergraduate student at Illinois Wesleyan University and made an 'honors course' review of reasons for success of many central Illinois business executives. Without exception, the ones who seemed to enjoy being an executive and who seemed to be getting responses from their coworkers during the depression years were the 'people-minded' men and not the 'thing-minded' individuals.

"An observation I made at that time is still valid so far as I am concerned, namely that being an executive seems to bother people with a strong personnel background less than those who had to battle their way up through control, production, etc. My only explanation for this phenomenon is that those who have grown up in personnel accept without reservation that men and women are going to act like men and women, and there is no use being discouraged about this inevitability."

Like President Keener of B. F. Goodrich, Mr. Martin's earliest work experience was on a university campus. Mr. Martin, however, was not a teacher, but on the administrative staff, first as freshman counselor at Illinois Wesleyan and then dean of men. Public relations, fund raising, and administrative work with philanthropic agencies filled the next period of his career. He worked as an organizational man on the field staff of the American City Bureau. He became executive director of the Indianapolis Community Fund and Council Social Agencies, and in 1943 went to New York to head the special services division of the National War Fund, which was being organized to correlate all war-generated philanthropic appeals.

At the conclusion of World War II, Mr. Martin was

employed by the Wm. H. Block Company, a department store in Indianapolis, as its general superintendent and personnel director. Four years later, he joined Carson Pirie Scott & Company in Chicago, with the same responsibilities as those held at the Wm. H. Block Company. Four years after that, he was made assistant to the president of Carson Pirie Scott, then vice-president and general manager, and in 1958 he was elected president.

"I would suggest to any young person that he not refuse an assignment in personnel administration, but that he not be discouraged either if such an assignment is not available. Personnel administration is an important function of every facet of business today. The good personnel operations are those which consider every supervisor (and hastily, I add here, the very top brass) as direct representatives of the personnel administrative arm."

Guy W. Wadsworth, Jr.
Southern Counties Gas Company of California

A company president whose name is identified with a well-known personnel technique is Guy W. Wadsworth, Jr., of the Southern Counties Gas Company of California. He is one of the coauthors of the Humm-Wadsworth personnel evaluation test, which has been adopted by many industrial organizations.

By far the larger part of Mr. Wadsworth's career has been in the natural gas business and in personnel administration. While a student at Occidental College, where he was majoring in economics, he worked part time for the Southern Counties Gas Company in Los Angeles, under the immediate supervision of F. S. Wade, then vice-president of the company.

Directly after graduation, Mr. Wadsworth went to Haiti as assistant financial advisor to that republic. Upon his return to California, three years later, he rejoined the organization for which he had worked during his student days. His former supervisor had become president of the company, and Mr. Wade set up a centralized personnel department and placed Mr. Wadsworth in charge of it.

The young man had had no experience in personnel administration and was not quite sure what was expected of the department or of himself. His instinctive reaction in such a situation was study. At this time (1930), little was taught in schools to supply a background for anyone interested in personnel work. Actual day-to-day experience was the principal means of formulating workable theories for the guidance of personnel administrators. Such experience was Mr. Wadsworth's road to competency.

Analyzing the results of hiring procedures, he saw a need for developing a technique for selecting employees that would be better than mere chance. To his way of thinking, interviews alone were not the answer. Actually, he considered they were little better than

chance. The more he delved into personnel problems, the greater became his interest in psychological testing. He enrolled in a course in psychiatry at the University of Southern California, and it was there that he took part in the development of the test which bears his name. The test measures mental attitudes, which psychologists believe are as important as mental capacities when it comes to deciding on the best applicants for jobs.

For eleven years, Mr. Wadsworth was personnel manager of the Southern Counties Gas Company, and in 1942 he was made vice-president in charge of employee relations. In the meantime, in addition to his work with Southern Counties, he had been asked to head personnel administration in the Southern California Gas Company, a gas distribution firm affiliated with Southern Counties. He was personnel manager for several years, and in 1941 became vice-president and director.

During World War II, Mr. Wadsworth served in the Army Service Forces in Washington, D. C. He closed his service as deputy director of the Civilian Personnel Division in the General Staff Corps, with the rank of colonel.

Following military service, he returned to his positions in California. When he was elected vice-president, assistant general manager, and director of the Southern Counties Gas Company in 1947, he resigned his positions with the Southern California Gas Company. He was elected president of Southern Counties in 1954.

Mr. Wadsworth believes that work in personnel administration is an excellent way to acquire comprehensive knowledge and understanding of a company's operations. A company's chief executive must be familiar with all departments and their problems. He, himself, has had to achieve a variety of "educations" in each of the many facets of the natural gas industry.

His experiences in working with employees and supervisors in all phases of personnel work, he says, have been of particular value to him as chief executive. Specifically, these experiences gave him a thorough knowledge of how people are likely to react in given work situations. Knowledge gained in negotiating with labor union representatives has helped him in handling all kinds of business-negotiating problems. In particular, there have emerged an appreciation of the need for fairness to other viewpoints in arriving at evaluation and an equally strong feeling that one must deal firmly in certain situations, no matter how personally distasteful at times such a course may be.

While his own route to the presidency happened to be through personnel, Mr. Wadsworth is quick to appreciate and point out the value of other phases of management work.

"Any young man preparing himself for a future in

management," he suggests, "should certainly consider personnel work as an important part of his background. Personnel management is an interesting, challenging, and ever-widening field; experts and students are constantly enriching the basic knowledge of how to evaluate and handle human capabilities and attitudes.

"But," he adds, "personnel work is only one of many possible opportunities for the future. The young man interested in rising to the top should be prepared to appreciate, study, and work in as many of the facets of today's business world as possible."

Theodore S. Petersen
Standard Oil Company of California

Theodore S. Petersen, president of the Standard Oil Company of California, was a personnel executive for a relatively short time. His experience in this area was sandwiched between assignments in the sales end of the business. But these years were important to the company in that during this period he helped organize and then headed the first department that provided counsel and assistance in personnel administration for the whole of the company.

"My experience in the personnel field," President Petersen explains, "began in 1938, when a study group recommended the formation of an employee relations department in Standard of California. At that time I was named assistant to the president, with the specific responsibility of managing the new department. The two years which followed must certainly be placed among the most fruitful of my entire company experience."

He had been a station salesman for Standard of California in Portland, Oregon, and had advanced through various positions in the sales department when he was asked to become manager of the employee relations and personnel department. After his service in this capacity, he became general manager of sales in 1941, and a vice-president and director in 1942. He has been president of the company since 1948.

Working in the employee relations field, according to Mr. Petersen, provides broad experience of great value to anyone who is to be entrusted with coordination of several functions of a business. "How, after all," he comments, "is an executive to know people unless he works directly with them, and where is this personal contact closer than in personnel work?"

Clifton W. Phalen
New York Telephone Company

In the training and development of their executives, Bell System companies give them experience in varied job assignments. Experience in personnel is not infrequently a part of the rotational process. Clifton W. Phalen, who became president of the New York Telephone Company last year, had headed the personnel department of this company at one time, and he also

directed the employee relations department of the American Telephone and Telegraph Company on his way to his present position.

Mr. Phalen's degree at Yale was in industrial engineering, and his first job after graduation was as a lineman and student engineer in Syracuse, New York. A company training course placed him in several plant department jobs, after which he was made plant chief, first at Batavia, and then at Buffalo, New York.

The next step was to district plant superintendent in Kingston, New York, then to jobs on the divisional level—construction superintendent and plant superintendent of the eastern division.

Approximately midway in his progress from lineman to chief executive of the company he now heads—sixteen years after he had joined the Bell System—Mr. Phalen received his first personnel assignment. He became assistant vice-president, personnel, of the New York Telephone Company, and advanced to vice-president, personnel, spending approximately a year in each post.

His next experience was in the public relations field. He was vice-president, public relations, at New York Telephone, then moved to fill the same position at the A.T.&T. Company. After this, he was for a few months administrative vice-president concerned with rates and revenue matters, then was asked to return to personnel administration, this time at A.T.&T., where, for a little over a year, he was vice-president, personnel relations.

Next he was asked to head an operating unit; in 1952, he became president of the Michigan Bell Telephone Company. After three and a half years in Detroit, he was called back to New York, to become executive vice-president of the A.T.&T. Company, and three years later was elected to the presidency of the New York Telephone Company.

Movement of this kind through various line and staff positions is used by Bell System companies to help develop employees with high leadership potential. As in this instance, the training sometimes includes assignments in personnel administration.

Ellsworth S. Grant
Connecticut Manifold Forms Company

Ellsworth S. Grant, president of the Connecticut Manifold Forms Company, which designs and prints business forms, believes it is not easy for a man who has had only personnel experience to move to another function—at least, not in companies in New England.

"Once in personnel," he says, "it is very hard to get the time or opportunity to learn, except vicariously, how other functions are handled. Personnel men are not usually regarded by their superiors as capable or worthy of being transferred to another area. In old-line New England companies, management development still frequently consists of every man fighting

for survival, waiting for death or termination to create a better opening, and gaining experience the hard way."

Like several other of the presidents who have been quoted, Mr. Grant believes that it is important for the personnel man to have had line experience before becoming a personnel manager.

"Where the personnel man has advanced up the ladder to the president's chair," he explains, "or has climbed sideways to head another function (like manufacturing or sales), I think a study of his background will usually reveal some training or experience outside personnel. In fact, I consider it essential that he be so trained in order to reach maximum effectiveness. In my own career, I believe I would have done a better job in personnel work had I received more factory training at the start, with particular regard to departmental supervision (to find out firsthand what it's like to be a foreman), production planning, industrial engineering, and cost control."

Personnel administration was not in the stars, so far as Mr. Grant was aware, when he was attending college. He took a liberal arts course, and, as one of his extracurricular activities, served as editorial chairman of the Harvard *Crimson*. Out of school, his first venture was to found and edit, with a group of other young journalists, the Hartford *Newsdaily*, an offset tabloid.

His first contact with industry was in The Allen Manufacturing Company, a firm in Hartford, Connecticut that manufactures socket-set screws. Here he did statistical work in the planning department.

The company was growing rapidly (employment rose from 200 to 1,100 during World War II) and management felt a need for improving employment procedures. Hiring had been handled by the secretary to the purchasing agent because she was nearest to the front door. Mr. Grant was asked to organize a personnel department and to be its manager. Beginning with employment, he added functions until the department covered the full scope of activities that fall within the concept of personnel administration today.

After four years as personnel manager, Mr. Grant was made vice-president and industrial relations director, a position which he held for twelve years. In addition to personnel matters, he had responsibility for real estate, rentals, and maintenance, and toward the end of this period he was also made advertising director of the company. In 1957, he became vice-president of manufacturing, in charge of production, purchasing, maintenance, and industrial relations, and a member of the board of directors. He resigned in 1958 to head the Connecticut Manifold Forms Company, which he controls.

While he did not become the head of a company because of his personnel background, Mr. Grant gives full credit to his experience as a personnel administra-

tor, along with experience in other areas, in arriving at a point where he felt competent to manage his own enterprise.

"I found personnel work challenging, fascinating, ever varied, and taxing of all my abilities and energies," he says. "Personnel work, in my opinion, can be as creative as engineering; it is and always will be more of an art than a science. Its degree of personal satisfaction is directly geared to the individual's interest in serving others. I don't mean this in the welfare sense alone, although this aspect enters into it.

"The more the personnel man becomes cost-minded or profit-centered rather than human-centered, the less will be his feeling of accomplishment (assuming he is an idealist to begin with). Not that he must be a starry-eyed social worker, but his business is primarily people—not machines or dollars—and if he puts something other than people first in his thinking or behavior, he will do better as a production manager or accountant. The more he leans away from people, the less value he has as a personnel expert. Yet many companies expect him to be some kind of magician who increases profit through the manipulation of employees. That is why personnel men get discouraged—at least those who are worth their salt.

"Leaving aside my own personal experience," he continues, "and judging instead from what has happened to many of my associates, I would say that a personnel job in my particular part of the country is often a dead end, and sometimes a dangerous one. In New England most personnel jobs carry little status within the organization; very few lead to an officership, and almost never to a presidency."

This would indeed appear to be a "Never? Well, hardly ever!" proposition. For the speaker, after all, is now a top executive, as are the other nine men described in this article. Most have indicated that the position of the personnel administrator is a difficult one—that it takes courage and gumption to carry out the duties involved. But all agree that the experience has been of great value to them in carrying out their present responsibilities. They, personally, wouldn't want to have missed it.

SIMILARITIES, DIFFERENCES

It is logical to assume that the ten individuals had more-than-usual ability. From varied starting points they arrived at the top by different routes. Were the careers of another group of presidents, also once personnel administrators, to be examined (for this particular list is by no means exhaustive), probably their backgrounds would prove to be as diverse.

None of the ten included in this article had planned a career in personnel administration. As a matter of fact, their student years antedated the establishment of special schools or departments that teach the fundamentals of personnel administration. Two of the ten

executives specialized in industrial engineering, but the greater number had liberal arts educations.

Their beginning jobs pointed in varied directions. Two were hired as production workers in factories; two were salesmen; two were on university campuses; and there were a clerk, a lineman, a financial advisor, and a newspaper editor.

Most of the executives have worked in more than one company. All at an early age demonstrated organizational and administrative ability. Perhaps the most striking fact, in comparing their development, is that six of the ten men were asked to organize and head the first company-wide personnel departments that their companies established.

One moved from personnel into sales; six were advanced to general administrative posts such as vice-president (correlating several functions), executive vice-president or general manager; and three went directly to the presidency. Two of these three, however, who reached the president's chair in a single step were responsible for more than personnel administration at the time. Each was his company's personnel administrator, but each had taken on some additional functions.

All ten had had experience in other areas of the business before becoming personnel managers. All found the personnel portion of their careers intensely interesting, sometimes frustrating, and often difficult. At least two of the presidents would not counsel a young man today to go into personnel work because "it's too tough." Perhaps it was because they were presidential timber that these particular individuals were successes as personnel administrators, rather than the other way round.

GENEVA SEYBOLD

Division of Personnel Administration

Membership Expenses

(Continued from page 22)

cedure statements covering payments in whole or in part of employee membership expenses in civic groups. Only one company makes provision for the partial payment of such expenses—the firm that was previously reported as paying the full cost of company-requested memberships and 50% of the dues of employee-initiated memberships in all approved organizations.

Three of the other nine companies will pay the expenses of employees who join civic groups if the memberships are properly approved and likely to benefit the company. The remaining six limit payments to cases where the civic group memberships are sponsored by the company and held by chosen representatives. As one company puts it:

"Dues of organizations sponsored or joined by the company (Chamber of Commerce, etc.) shall be borne by the company, and the company shall designate individuals to represent it as members of such organizations."

Another company makes it clear that employees holding company-sponsored memberships in civic groups are expected to participate in group activities:

"In some instances, the company pays for memberships in established civic clubs. These memberships are passed along to employees with the assumption that such employees will take active interest in the organization. Where employees do not participate in activities, it is considered advisable to give the membership to other employees who may have greater interest.

"The company in no instance believes that civic clubs should have more than a proportionate share of company employees as members."

Social Club Expenses

Only four of the twenty companies examined have written procedure statements that cover the payment of expenses incurred by employees as members of social clubs. One, of course, is the firm that pays the full cost of company-requested memberships and 50% of the dues of employee-initiated memberships in all approved organizations. Then, too, there is the other company with the employee membership procedure statement broad enough to apply to all types of organizations—the one that "encourages executives to join . . . clubs" and allows them, "subject to the approval of the president," to charge club entertainment expenses to the company, provided the entertainment "serves the best interests of the company or is an influence on the company's business."

The third company states that it will pay "the reasonable expenses" of employees who belong to social clubs to the extent that they use the facilities of such clubs for business purposes and with prior approval. And, finally, there is the company quoted above as having a policy "to provide for memberships in clubs . . . through an annual budget approved by the chairman." This policy is supplemented by the following procedure statement:

"Membership dues in dining, golf, and social clubs should be paid directly by the individual and reported on his personal expense account. The name of the club, the period covered, and the amount of dues should be entered on the expense form so the item may be compared with the authorized budget."

Further information about the payment of employee club expenses came to light in THE CONFERENCE BOARD survey referred to earlier in this article.¹ As already reported, twenty-five of the forty companies participating in that survey provide memberships in country,

¹ *Idem.*

athletic, and downtown dining clubs for selected executive employees. All twenty-five of them pay the initiation fees and membership dues in full.

As to the payment of other charges, the practice runs in either of two directions. In a few cases, the memberships are taken out in the name of the company, rather than in the name of the individual employee. In such cases the companies are billed for all costs; but firms following this practice say that all bills are carefully scrutinized and that any charges judged to be of a personal nature are borne by the individual executive.

More commonly, however, individual executives are billed directly by the clubs. The company then foots the bill for whatever charges can be attributed to the efforts of its executives to use club facilities to advance the interests of the company. "We pay only a small portion of an executive's monthly billings," one company says, "and the payments vary with the executive's status and the business that results from his membership." Another company says it will not reimburse executives for any charges incurred when business and pleasure are mixed.

Controlling Company Payments

Like other business expenses, company payments for employee memberships would tend to get out of hand if they were not controlled. To provide such control, the majority of companies require that final approval of all company-sponsored memberships be obtained at the division general-manager level. One company, as already reported, goes so far as to provide that "memberships . . . are subject to the approval of the president if they are to be charged as a company expense." This is the exception. More typical of the kind of approval required is the following procedure statement: "Each membership, and its renewal, is subject to the prior approval of the division manager."

Several companies impose a central control over membership payments by subjecting them to the limitations of an annual budget. A firm that uses this control method describes its operation as follows:

"It shall be the policy of the company to provide for memberships . . . through an annual budget approved by the chairman. The product divisions' accounting departments and the general accounting department for services divisions will maintain a budget record and separate control accounts for the categories provided, and will verify against the budget all requests for payment.

"No item will be paid by the company unless it is included in the original budget, applied against a blanket item, or added to the budget by special authority of the chairman. Applications against blanket amounts included in the budget must be approved by the division head before payment.

"Periodic reports showing the status of the budget will be made by the product divisions accounting departments

to the manager, budgetary control, comptroller, and other interested parties."

And, finally, there are a few companies that provide central control by setting up a watchdog committee to supervise membership payments on a company-wide basis. This group is known in one company as the "interdepartmental coordination committee on memberships and attendance at conventions." A record of all company memberships is maintained by the committee secretary. It is the duty of the committeemen, who are appointed annually, to see to it that there are not too many memberships in any one organization, that the memberships are properly distributed among the departments that could profit by representation, and that there is coordination in cases where more than one department supports an organization.

J. ROGER O'MEARA

Division of Personnel Administration

Management Bookshelf

Management's Mission in a New Society—"A Great Society," said Alfred North Whitehead in addressing the Harvard Business School twenty-nine years ago, "is a society in which its men of business think greatly of their functions." The Harvard Business School devoted its 29th annual business conference to doing just that. This volume is a selection of papers and case histories presented at the conference.

Beginning with historian Arnold Toynbee's paralleling of the destiny of modern business with that of ancient Rome, the book centers itself on the present-day world and the necessity of business playing a responsible role in it. Lebanese diplomat Charles Malik calls on the businessman to adjust "the forces of his society to the dynamic character of communism everywhere and to the rapidly growing requirements of the underdeveloped world." Vice President Nixon calls on business "to make the benefits of civilization available to the whole human race." Many of the papers refer to J. K. Galbraith's "The Affluent Society."

Specific material is also presented on foreign operations, planning, public relations, and human relations. The emphasis here, too, is on a philosophy of management. *Edited by Dan H. Fenn, Jr., McGraw-Hill Book Company, Inc., New York, New York, 1959, 345 pp., \$6.*

Essentials of Psychological Testing—The first edition of this book, published in 1949, soon became established as a standard reference text in psychological tests. The present edition brings information in this fast-changing field up to date. It is especially aimed at companies contemplating the introduction of psychological testing and at companies that wish to reexamine their testing practices. *By Lee J. Cronbach, second edition, Harper & Brothers, New York, New York, 1959, 650 pp., \$7.*

Wage and Fringe Developments in Bargaining

A feature of the new Northwestern Bell Telephone contract is its major medical plan, which extends benefits to retired employees. The entire plan is company paid

A COMPANY-PAID major medical plan that extends coverage to retired employees is a feature of the new contract negotiated between Northwestern Bell Telephone Company and the Communications Workers. It is reported to be the first in the industry and is expected to set the pattern for the entire Bell System.

The plan becomes effective not later than September 1, and will cover all pensioners as well as regular full-time and part-time employees who have six months' or more service. Husbands or wives of active and retired people, unmarried dependent children, and some other dependents, under specific conditions, are also eligible. The entire major medical plan is company paid, including the coverage for dependents.

Maximum benefits for an active employee and for each of his dependents under age sixty-five are \$15,000 per person. Also the plan provides for reinstatement of the maximum after benefit payments of \$1,000 or more have been received and specified conditions are met. After sixty-five, the maximum coverage is reduced to \$2,500 for each person covered, and there is no reinstatement of the maximum.

Major medical payments are designed to supplement the basic group hospital-medical plan. Thus, when benefits from the basic plan have been exhausted, and after the employee pays a deductible of 4% of his annual wage or pension (but not more than \$500 or less than \$100), major medical benefits begin. The plan pays 80% of any remaining expenses and the employee pays 20%. In the case of medical expenses for psychiatric care outside a hospital or mental institution, the co-insurance feature is on a fifty-fifty basis, except for an employee who is absent from work because of the disability. In this latter case, the regular eighty-twenty co-insurance formula is applied.

The plan also provides that no more than three deductibles will be applied to a family in any twelve-month period.

In addition, the new contract increases minimum pension benefits to \$125 a month for employees retiring after forty years' service and to \$120 a month for those retiring after thirty-five years' service. The minimum pension benefit for employees who retire with less than thirty years' service remains \$115. Under the previous agreement, the \$115-minimum applied to

all retirees without regard to their length of service.

The new contract also increases minimum life insurance coverage from \$2,000 to \$3,000 at no increased cost to the employee.

Other changes include four weeks' vacation after twenty-five years' service instead of the previous thirty years. A general wage increase is also granted. The range is from \$1.50 a week for traffic and clerical employees to \$4.50 for some plant workers; the average is about 8 cents an hour. In addition, thirteen towns are reclassified upward for wage purposes, and a few jobs are upgraded. Two wage reopenings in the three-year contract only permit bargaining on basic rates.

Wage Increase Dependent on Revised Minimum Wage Law

If Congress votes to increase the federal minimum wage, the Maiden Form Brassiere Company promises to increase its minimum wage rates so that they will be 10 cents above the new legal requirement. This commitment results from recent negotiations with the International Ladies' Garment Workers' Union at the company's West Virginia plants.

In addition, the new three-year contract grants an immediate increase of 10 cents an hour to time workers and from 6% to 8% an hour to piece workers. Aside from the adjustment hinging upon a revised federal minimum wage, the three-year contract makes no other provision for deferred increases or wage reopenings.

Maiden Form's new contract minimum is now 20 cents above the present federal minimum of a dollar an hour. Should Congress up the minimum to \$1.10, then, under the terms of the agreement, no adjustment will be necessary. But if the federal minimum is upped to \$1.20 an hour, the company's minimum rate will then be advanced to \$1.30. In this case, the increase will be given in two installments—5 cents effective with the new federal law and the remaining 5 cents one year later.

Another feature of the new contract is the establishment next January 1 of a severance pay fund. The company is contributing an additional .5% of payroll the first year and 1% of payroll thereafter to this fund
(Continued on page 48)

Significant Pay Settlements

(Confirmed by The Conference Board)

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
NONDURABLE MANUFACTURING		
American Potash & Chemical Corporation with <i>Chemical Workers, IBEW, IAM, Plumbers & Pipefitters</i> , and <i>Operating Engineers</i> ,* all in Henderson, Nev. 178 hourly Retroactive to 4-1-60. Contract expired New contract: 2 years	8¢, 10¢, 12¢ general increase (average 10.8¢) Deferred increase: 8¢, 10¢, 12¢ (average 10.8¢) effective 4-1-61	Revised: Group insurance (\$50 maximum fit for X-ray and lab charges incurred result of accidental bodily injury which covered by Workmen's Compensation) ployee contribution to group insurance company pays 85% Added: Employee savings-bonus plan; Fr leave pay; jury duty pay
Campbell Soup Company with <i>Teamsters, ind.</i> , in Sacramento, Cal. 1,300 hourly Retroactive to 4-4-60. Contract expired New contract: 3 years	From 6.5¢ to 11.5¢ per hour general increase; shift differentials increased to 7¢ and 15¢ Deferred increase: 7¢ per hour 4-1-61; additional 7¢, 4-1-62	Revised: Saturday holidays to be observed Friday; life insurance increased to \$4,000 (\$2,000) Added: Christmas Eve as a paid holiday
Champion Paper & Fibre Co., Pasadena Plant with <i>Paper & Pulp Mill Workers, ind.</i> , in Houston, Tex. 1,400 hourly Retroactive to 4-11-60. Contract expired New contract: 2 years. Reopening 2nd year	3½% (8¢ to 12¢ per hour) general increase	
Clothing Mfrs. Assn. with <i>Amalgamated Clothing Workers</i> . Nationwide. 125,000 hourly Effective 6-1-60. Contract expired New contract: 3 years	17.5¢ per hour general increase	Revised: Hospital-surgical benefits; life insurance
H. J. Heinz Co. with <i>Meat Cutters</i> in Pittsburgh, Pa. 1,954 hourly Effective 5-2-60. Contract expired 3-31-60 New contract: 2 years	7½¢ to 12¢ per hour (8¼¢ average) general increase Deferred increase: 7½¢ per hour effective 4-1-61; cost-of-living adjustment on 4-1-61 for same amount that basic steel grants in 12/60	Revised: Dependent insurance benefits company pays employee's contribution of \$ sickness and accident benefits; vacation providing 3 weeks' vacation after 10 (wa years and bonus ½ week's pay (not tim for employees after 25 years, effective 1-1-61) Added: 3 weeks' vacation after 10 years
Horton-Hubbard Mfg. Co. with <i>Textile Workers</i> in Nashua, N. H. Approximately 400 hourly Retroactive to 2-15-60. Contract expired New contract: 22 months	5¢ to 10¢ per hour general increase Deferred increase: 2½¢ to 5¢ per hour effective in 1961; additional 5¢ to 10¢ effective in 1962	
A. C. Lawrence Leather Co., (Div of Swift & Co.) with <i>Leather Workers</i> in Peabody, Mass. 1,300 hourly Retroactive to 1-4-60. Contract expired New contract: 2 years	General increase averaging 6¾¢ per hour including incentive earnings. Additional adjustments for maintenance employees Deferred increase: 4¢ per hour average effective 1-2-61	Revised: \$18 a day company-paid Blue (was \$15)
Lehn & Fink Products Co. with <i>Chemical Workers</i> in Lincoln, Ill. 275 hourly Effective 5-8-60. Contract expired New contract: 2 years	6¢ per hour general increase Deferred increase: 6¢ per hour effective 2nd year (with right to reopen for wages only if CPI rises 4 points by 5-8-61)	Added: Paid holiday (Veterans Day) Revised: Increased hospital benefits
Maidenform Brassiere Co. with <i>ILGWU</i> in Princeton, Clarksburg, and Huntington, West Va. 1,000 hourly Retroactive to 4-2-60. Contract expired New contract: 3 years	10¢ per hour general increase for time workers, 8% increase on standard hourly rates for floor clippers, and 6% for all other piece workers; \$1.20 per hour new minimum rate. Provision is made for a 10¢ hourly increase in minimum rates if the federal minimum is increased	Added: 3 weeks' vacation after 15 years; s insurance fund established
Merck & Co., Inc. with <i>OCAW</i> in Rahway, N. J. and Danville, Philadelphia, and West Point, Pa. 2,750 hourly Effective 5-1-60, subject to ratification. Contract expired New contract: 2 years. Wage reopening 3-1-61	8¢ per hour general increase plus additional increase of from 1¢ to 3¢ an hour to skilled trades	Added: Paid holiday (Friday after Thanksgiving) in 1961 Revised: Medical benefits plan; severance
Pacific Coast Assn. of Pulp & Paper Mfrs. with <i>Papermakers & Paperworkers</i> and <i>Pulp, Sulphite & Paper Mill Workers</i> in Washington, Oregon and California. 20,000 hourly Effective 6-1-60, subject to ratification. Contract expired New contract: 2 years	3½% (7½¢ to 17¢ per hour) general increase; new rates of \$1.88½ per hour base rate for women, \$2.19½ for men, and \$3.08 for journeymen mechanical employees	Added: Jury duty pay provisions Revised: Health & welfare program with paid by employers

Significant Pay Settlements—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
DURABLE MANUFACTURING		
Machinery and Chemical Corp., (John Ordnance, and Canning Machinery divi- sion) with in San Jose, Cal., 1,677 hourly contractive 4-1-60. Contract expired new contract: 1 year	8¢ per hour general increase	Added: Major-medical insurance for employees and dependents Revised: Maternity benefits
and Steel Co. with ind., in South Milwaukee, Wis. contractive 4-1-60. Contract expired new contract: 2 years	8¢ per hour general increase on base rates for in- centive workers, 10¢ per hour for day workers Deferred increase: 6¢ per hour on base rates for incentive workers, 7¢ per hour for day work- ers, effective 4-1-61	Added: 8th paid holiday Revised: Increased disability benefits (with cost split 50-50)
o Corp. with in Philadelphia, Pa. Approximately 3,700 ly effective 5-1-60. Contract expired new contract: 1 year	6¢ per hour general increase Deferred increase: 5¢ per hour for skilled trades employees effective 8-1-60 and 6¢ effective 11-1-60	Revised: Additional employer contribution for dependent coverage on hospital-medical-surgi- cal Added: 4th week vacation after 25 years' service; provision for loans against severance pay credits; provision for maintenance of pay rates during cutbacks
ent & Company with ind., in New Haven, Conn. 800 hourly contractive to 2-29-60 (signed 4-1-60). Con- tract expired new contract: 1 year	7¢ per hour general increase	Revised: Hospital benefits
apson Ramo Wooldridge Inc. with raft Workers Alliance, ind., in Cleveland, 7,000 hourly effective 6-1-60. Contract expired new contract: 3 years. Wage reopenings in 61 and 1962	6¢ to 9¢ per hour general increase; increased night shift premiums	Revised: Vacation plan; pension plan
lex, Inc. with ative Bargaining Assn., ind., in Springfield, 2,282 hourly contractive to 4-19-60. Contract expired new contract: 1 year	No change	No change
ern Electric Co. with munications Workers in North Tonawanda, 1,400 hourly effective 5-23-60. Contract expired new contract: 3 years. Wage reopenings 2nd and 3rd year	7.6¢ per hour general increase	Revised: Vacations; group life and health insur- ance, and pensions
t Cheer Clay Products Co. with & Ceramic Workers in What Cheer, Iowa. hourly contractive to 4-1-60. Contract expired new contract: 2 years	6¢ per hour general increase Deferred increase: 6¢ per hour, effective 4-1-61	No change
NONMANUFACTURING		
Detroit Edison Co. with ty Workers and IBEW in Detroit, Mich. hourly effective 5-30-60. Wage reopener contracts expire 5-31-61 and 6-15-61	4.1% general increase	No change
is Bell Telephone Co. with munications Workers 6,400 local and long distance operators, clerical personnel, and dining service matrons outside Chicago. 1,700 long dis- tance operators and clerks in Chicago effective 5-1-60. Contract expired new contract: 3 years; 2 reopenings for wages only	\$1.00 to \$2.50 per week general increase	Added: Extraordinary medical expense insur- ance Revised: Life insurance; vacations; & pensions

Significant Pay Settlements—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
Newport News Shipbuilding & Drydock Co. with <i>Peninsula Shipbuilders Assn., ind.</i> , in Newport News, Va. 14,500 hourly Effective 5-23-60. Contract expired New contract: 3 years. Wage reopening in 1962	5% general increase; new rate of \$2.80 per hour Deferred increase: 3% effective 2nd year	Revised: Group health and life insurance pension plan
Northwestern Bell Telephone Co. with <i>Communications Workers</i> in North and South Dakota, Minn., Nebr., and Iowa. 18,000 hourly and salaried Effective 5-1-60. Contract expired New contract: 3 years. 2 wage reopenings on basic rates only	From \$1.50 to \$4.50 per week general increase (8¢ per hour average)	Added: Extraordinary medical expense plan Revised: Pension benefits; life insurance; vacation provisions
Eastern, western and southern railroad carriers with <i>Locomotive Engineers</i> . Nationwide. Approximately 37,000 hourly Effective 7-1-60. Arbitration award New contract expires 11-1-61	17¢ per hour existing cost-of-living adjustment incorporated into base plus 2% general increase; Escalator clause discontinued. Deferred increase: 2% effective 3-1-61 (combined average 11.3¢ per hour)	No change

* Incorrectly reported as Office Employees in last month's issue

¹ All unions are affiliated with the AFL-CIO unless otherwise indicated.

(Continued from page 45)

to help finance the severance pay plan. Severance benefits will be paid to eligible employees who are terminated because of permanent plant shutdown. No severance benefits are allowable to employees who are terminated for any other reasons.

Other changes include a third week of vacation after

fifteen years of service and the adoption of a policy to use the union label on all garments manufactured by the company. The three-year agreement covers the company's garment workers in Huntington, Princeton and Clarksburg, West Virginia.

N. BEATRICE WORTHY
Division of Personnel Administration

Studies in Business Policy

- No. 95—Executive Aircraft Practices
- No. 94—Small Orders—Problems and Solutions
- No. 93—Radioisotopes in Industry
- No. 92—Management's Role in Electronic Data Processing
- No. 91—Foreign Licensing Agreements—II. Contract Negotiation and Administration
- No. 90—Corporate Directorship Practices
- No. 89—Company Contributions—III. Policies and Procedures
- No. 88—Inventory Management in Industry
- No. 87—Industrial Uses of Radioisotopes
- No. 86—Foreign Licensing Agreements—I. Evaluation and Planning
- No. 85—Industrial Standardization
- No. 84—Marketing Research in Action
- No. 83—Prospects for Economic Nuclear Power
- No. 82—Operations Research
- No. 81—Company Insurance Administration
- No. 80—Public Relations in Industry
- No. 79—Measuring Salesmen's Performance
- No. 78—Industrial Engineering, Organization and Practices
- No. 77—Forecasting in Industry
- No. 76—Automobile Plans for Salesmen
- No. 75—Researching Foreign Markets
- No. 74—Atomic Energy Primer for Management
- No. 73—Company-Sponsored Foundations
- No. 72—Marketing, Business and Commercial Research in Industry
- No. 71—Keys to Efficient Selling and Lower Marketing Costs
- No. 70—Industrial Security:—III. Theft Control Procedures
- No. 69—New Product Development:—III. Marketing New Products
- No. 68—Company Tax Administration
- No. 66—Financial Management of Pension Trusts
- No. 64—Industrial Security:—II. Plant Guard Handbook

In the July Business Record

Reports on Three Surveys—Two studies of capital appropriations appear in this issue as part of the Board's continuing surveys of appropriations in the 1,000 largest manufacturing firms and the metalworking industries. "Capital Appropriations: A Step Down from the Peak" is the sixteenth quarterly report in a series sponsored by "Newsweek"; "Steel Appropriations Off, Others Firm" is the eighth in a survey financed by "Iron Age." The Board's regular monthly survey of business opinion and experience presents the expectations for the second half of 1960 of 210 participating executives under the title, "After a Slow Start a 'Good' Year."

Consumer Markets: Women at Work—This article emphasizes the unique impact of a greatly expanded female labor force on the market place. Presented in conjunction with "A Graphic Guide to Consumer Markets" (a recent Board publication, sponsored by "Life"), this third report in a continuing series indicates the need for further research on the buying habits of the working-wife family, an increasingly significant segment of the market.

Steel Inventories: Liquidation in Progress—A report on the decline in finished steel supplies during the second quarter, based on the Board's revised series on steel inventories.

A Guide to Income Distributions—An analysis of four major sources providing national data on size distributions of individual and group incomes, the discrepancies among the series, and their pertinence for businessmen.

Mergers: A Summary of 1959 Listings—Comprehensive data on company acquisitions in 1959, as recorded in the Board's monthly listings of mergers and acquisitions.

Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.



FOUNDED 1916